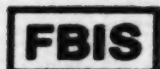


**JPRS 82657**

**17 January 1983**

# **West Europe Report**

**No. 2089**



**FOREIGN BROADCAST INFORMATION SERVICE**

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17 January 1983

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No. 2089

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## DETAILS PROVIDED ON ATTACK AGAINST KUWAIT AIRLINES OFFICE

Athens AKROPOLIS in Greek 9 Dec 82 pp 1, 7

[Text] Yesterday at dawn Iranian commandos "hit" the offices of the Saudi Arabian Airlines with a high explosive bomb. However, they were ill-fated.

The bomb caused damage to the offices of the Kuwait Airlines next door and fatally injured one of the terrorists.

The reasons for this terrorist act have not been revealed; however, it is speculated that the motive may have been either religious or political.

One of the perpetrators is Barsegh Galehm Amakaei Kontaverian, 21, from Isfahan, Iran, of Armenian descent, who has been arrested by police and is being questioned.

According to initial reports, Kontaverian is probably a member of an Iranian terrorist group which provided him with money and sent him to Greece in order to use him in similar terrorist operations.

His partner, who died yesterday at 5:30 p.m. at the "Evangelismos" Hospital, is someone named Sako, for whom additional identification data the arrested terrorist refused to reveal.

The latter, questioned by officers of the Intelligence Unit of the Athens General Security, stated that he came to Greece in 1980 as an "immigrant." He said that he had money and took up residence at 28 Rene Dio Street in Kosmos.

## Difficult and Uncommunicative

When the investigators asked him where he had obtained the money for living expenses, he claimed that he worked at various jobs. However, he did not name his employers.

He is an especially difficult individual and initially he claimed that his name was Vasik Toubex and that he is Iraqi.

After the discovery of his identity, the investigators attempted to learn

that of his partner who was hospitalized in an unconscious state at "Evangelismos," but he simply limited himself to saying that he had met him yesterday for the first time and that he had only told him that his name was Sako.

From the data obtained from the police and press investigations, the following came to light regarding the case:

Kontaverian came to Greece, sent by some terrorist organization, with the objective of sabotaging airline and embassy buildings of the countries with which his country is at odds.

#### The Organization

This organization--which may very well be part of the Iranian clandestine services--was supplying him with money and, night before last, it sent him a "contact" to operate with him.

Kontaverian had purchased a 50 cc. "Suzuki" motorcycle with license number AZ 693. This motorcycle was used to place the bomb.

They chose the offices of the Saudi Arabian Airlines at 30 Amalias Street as a target. In order to "hit" them, a powerful bomb was built with dynamite and primacord.

Around 2:30 a.m. yesterday, the two partners climbed on Kontaverian's motorcycle and proceeded towards Syndagma.

#### With a Bomb

The moment they were going by the office of the Saudi Arabian Airlines, Sako, who was sitting on the back seat, lit the primacord and threw the bomb. In his attempt, though, he did not properly calculate the speed of the motorcycle and the bomb hit a pole and bounced back, falling on the street.

The two Iranians had mixed iron shavings with the contents of the bomb for the purpose of inflicting severe damage, but this was fatal to one of the two.

The bomb exploded behind them and the iron shavings hit Sako in the side and in the head. Some of them perforated his liver.

The motorcycle turned over and Kontaverian fell off. He was found there by a passerby who, suspecting that he was one of the perpetrators, arrested him and delivered him to the police. The policemen who arrived after the explosion transported his injured companion to "Evangelismos" where the doctors desperately tried to save him without success. As we mentioned earlier, at 5:30 in the afternoon he died of his injuries.

Kontaverian was taken to the General Security and they began questioning him. He made great efforts to mislead the authorities. "He gave false identity data.

He did not even reveal his nationality. He claimed that he did not know his companion's identity except for his first name. He refused to speak about the origin and the making of the bomb and he did not say a word about the organization, its aims and the reasons for choosing the 'target.'"

The questioning of Kontaverian continues and most probably the case will be cleared today.



Barsegh Kontaverian. He was driving the motorcycle and his friend, Sako, threw the bomb and was killed.

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## BUDGET ALLOCATIONS FOR 1983 PUBLISHED

Nicosia KHARAVGI in Greek 26 Nov 82 p 1

[Excerpts] The regular 1983 budget of the Republic was introduced in the House of Representatives. It forecasts 222,062,534 pounds in income and 259,091,625 pounds for expenditures. The budget deficit is 37,029,091 pounds, which must be covered from other sources or by loans.

The 1982 income, based on the revised budget, is expected to amount to 199,761,256 pounds while the initial budget provided for an income of 175,076,535 pounds. The 1981 income was 164,574,500 pounds.

The 1982 expenditures, based on the revised budget, amount to 246,352,838 pounds. The initial budget provided for expenditures of 225,070,597 pounds. Thus, the revised deficit will now amount to 46,591,582 pounds. The deficit which had been forecast was 50 million pounds.

As shown by the table set forth below, the direct taxes, the revenues and the rentals, the income from loans and the indirect taxes, paid the best returns from what was initially calculated during 1982. The contribution of the Greek government was reduced by 685,000 pounds, evidently because of the devaluation of the drachma.

#### The Expenditures

The main anticipated items for 1983 are the following (shown in parentheses are the revised expenditures for 1982):

Presidency: 170,588 pounds (130,665)

Council of Ministers: 28,479 pounds (19,000)

House of Representatives: 296,458 pounds (280,000)

Ministry of Defense: 11,877,230 pounds (17,660,000). It is to be noted that 8 million pounds were expended. For 1983, 8 million pounds have again been budgeted.

Ministry of Agriculture and Natural Resources: 8,960,894 pounds (5,735,000)



Ministry of Justice: 1,001,539 pounds (1,004,000)

Ministry of Commerce and Industry: 1,774,019 pounds (1,293,003)

Ministry of Interior: 24,593,309 pounds (22,626,000). The police takes the lion's share with 18,483,642 pounds (17,480,000)

Ministry of Foreign Affairs: 2,347,662 pounds (2,176,000)

Ministry of Finance: 123,259,741 pounds (120,897,261). The largest expenditures of the ministry are the public debt, 49,957,000 pounds (41,801,341); the grants and contributions, 26,700,500 pounds (27,170,830); the subsidies, 20 million pounds (20 million); and the pensions and gratuities, 10,091,990 pounds (8,230,000).

Ministry of Education: 36,593,098 pounds (33,430,000)

Ministry to the Presidency: 2,329,812 pounds (2,319,000)

Ministry of Communications: 11,541,081 pounds (9,755,632)

Ministry of Health: 19,911,575 pounds (17,209,000)

General Administrative Personnel: 1,364,553 pounds (948,000)

General Secretarial Personnel: 6,882,651 pounds (5,951,000)

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## DUESSELDORF LANDTAG SEEKS WAY OUT OF STEEL CRISIS

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 17 Dec 82 p 12

/Report by Lothar Bewerunge, datelined Duesseldorf, 16 December: "Matters Are Getting Serious on the Ruhr"/

/Text/ The Krupp steelworks in Rheinhausen are going to lay off 5,300 of their 9,000 workers. Steelworkers in Hattingen, Bochum and Dortmund are in a subdued mood at the beginning of the Christmas and New Year season. Almost all plants are on short time. Some of the steel firms "are forging" social plans. Early retirement is mentioned, and so are layoffs. Residents of several Ruhr District cities are already discussing the question where jobs may be found for today's children in the decades ahead--their steelworker fathers are facing untimely retirement. Fears are rampant in the Duisburg conurbation that the current unemployment figures (25,000) will soon swell to 40,000. For the first time since the mid-1960's workers in the Ruhr District are demonstrating for jobs. They think that the massive mine closures of that time will soon have their counterparts among the blast furnaces and rolling mills.

Last Thursday Duesseldorf Minister President Rau therefore issued an official statement on the situation of the Ruhr steel industry. This statement reflected great anxiety about just this situation but offered neither possible solutions nor a gleam of hope. Rau frankly admitted to the Landtag that 20 percent of jobs on the Rhine and the Ruhr had been lost since 1977, and "extensive layoffs" had to be expected in the processing and high-grade steel sectors. The land might be "massively hit" by growing unemployment. Rau deplored the "failure of the EEC Commission in Brussels," accused Ruhr employers of "being devoid of ideas about the future of steel," admonished the Federal Government to do its duty, but had no suggestion to offer regarding the possible contribution of his Land government. He and his Economics Minister Jochimsen firmly maintain only that North Rhine-Westphalia is prepared to continue paying a third of the structural aid grants, amounting to DM150 million this year and another DM450 million in obligation appropriations in 1983. The Land government refuses to agree to the Federal Government's proposal in future to equally divide aid for the Ruhr. The Rau government is suffering from a case of galloping deficit; even less than Bonn does it know where to find the money.

In this emergency Rau decided on entreating the employers: "Let the steel managers finally put their cards on the table." Until the politicians knew the real conceptions of the industrialists, their hands were tied. Jochimsen more precisely defined this appeal by emphasizing three issues: Of course the government favored the

modernization of production and the slimming down of capacities. On the other hand the steel crisis on the Ruhr could not be allowed to turn into a conflagration engulfing hundreds of small and medium firms in Sauerland, Siegerland and the Bergische Land.

The SPD government and the CDU opposition in Duesseldorf agree that the major steel firms will first of all have to find their own conception for coping with the sales crisis. Nobody in Duesseldorf has any illusions that the Brussels Commission might be able to stop the European subsidies competition. Duesseldorf believes that the Brussels strategy of equal sacrifice for all EEC steel producers has definitely failed. Yet, on behalf of the CDU, Biedenkopf stressed the North Rhine-Westphalian SPD's share of responsibility for the deplorable developments on the Ruhr. For more than 10 years the costly aid programs of the Kuehn and Rau governments had just trickled away. The SPD in both Duesseldorf and Bonn had largely blocked the introduction of new technologies. This had obstructed and even prevented structural change on the Ruhr where such change was particularly urgent. At the present time the steel industry's perplexity had begun to affect the Land government. Despite the slight Land competences in this field Biedenkopf evidently wants to compel the Rau government to define political priorities and take a stand with regard to those steel industry locations that have some hope of being viable in the future. He accused the minister president in the following words: "Rau constantly raises the people's hopes and then goes on to disappoint them. No wonder people on the Ruhr are getting to be very angry."

At the same time the opposition in Duesseldorf does not have any suggestions either how to offer assurances--at least for next year--to the many thousands of steel workers from Duisburg to Dortmund, given the virtual collapse of the steel market. At the moment the IG Industrial labor union Metal, its works committees and shop stewards in the firms, have managed to keep matters under control to the extent that no violent demonstrations or machinery demolitions have occurred. Still, the latest demonstration in Duisburg last weekend has demonstrated that left radical and orthodox Marxist forces are trying to fan the smoldering fury into a raging fire. Banners bore the message "today unemployed, tomorrow radical." Duesseldorf Economics Minister Jochimsen suspects that the employers, for their part, are frustrating every reasonable solution such as that of the (disputed) Ruhrstahl AG. Last Thursday he said that the earlier plans for a steel industry reorganized by locations and product ranges were "being sunk by organized though hidden opponents." However, nobody named names. In view of the imminent election campaign the SPD evidently wishes to assert that the difficulties on the Ruhr are to to just one type of offender: Anonymous managers and capitalists. Yet the steel industry is equally governed by the labor unions--a fact once again recalled by Biedenkopf.

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## ACTIVITIES OF BANK OF FRANCE, FINANCIERS IN CURRENCY MARKETS

Paris L'EXPANSION in French 12-25 Nov 82 pp 86-91

[Article by Erik Izraelewicz: "The Franc's Arsenal:"]

[Excerpts] Day after day, the Rue de Rivoli and the Bank of France are fighting for the currency. With what weapons?

Friday, 11 June, 1982, 1600 hours. With his eye riveted to the screen of his terminal, Andre D., an exchange broker in a large Parisian bank, balanced his final accounts. The week had been hard and the franc had been pummeled. Suddenly, panic as the lines jumped at high speed; the franc was collapsing, not staying within the limits of the European Monetary System [EMS]. What was going on? A telephone call to a colleague found him speechless, too. An attempt to reach the Bank of France: "Everyone is gone," was the reply at the switchboard. In a flash, Andre D. understood. The franc had been dropped and its defenses crumbled--devaluation.

The same question came back that had been asked 8 months earlier and that was liable to be asked again soon: did they defend it well? "They" today means Jacques Delors, minister of economy and finance, Michel Camdessus, director of the Treasury, and Renaud de La Geniere, governor of the Bank of France. For 18 months they and the heads of their respective staffs, Jean-Baptists de Foucaud (who replaced Elisabeth Guigou), Philippe Jurgensen and Jacques Waitzenegger, have been hard at it. And the trends in our trade balance and our balance of payments hardly promise them any respite. What means do they have to defend the franc? How do they use them?

"You have a remarkable system for defending your currency," a foreign operator readily stated. And, perfidiously, he immediately added, "The ammunition is what you are liable to be short of soon." In fact, although the three usable means (increasing interest rates, intervening on the foreign exchange market by selling hard currency, strengthening control over foreign exchange) have not yet been worn out, they are beginning to show signs of fatigue--especially the last two.

Since 10 May every crisis--the one linked to the election period; the one of autumn 1981, which ended in the devaluation of 4 October; the one of spring, 1982, which resulted in the "monetary readjustment" of 12 June; and finally



the one whose first outbursts go back to the end of last August--has been following an identical scenario. At the beginning, there is a weak currency in the European Monetary System that gives way (the Belgian franc, the Danish krone), the announcement of poor economic figures in France, one or more rumors of an upcoming devaluation and a planned withdrawal from the European Monetary System which fly across the wires of the telexes linking all the exchange brokers in the world. It is difficult to quash the rumors. Last August, while some Socialists were talking of a plot, the party wanted to know more and, in particular, to understand the role of the "10 May emigrants," the few bankers and businessmen who picked up and went to New York, in the spreading of the rumors. A "new banker" close to the Socialists was therefore sent to the United States to inquire discreetly. With no results.

At the slightest quiver in the market the exchange brokers at the Bank of France, the first ones notified, immediately send their information to the governor, who passes it on to the Treasury and the office of the minister of the economy. Four times per day Jacques Delors receives a piece of paper with the parities of the different markets, the interest rates and, if necessary, the monetary amount of any intervention. A piece of paper that he carefully folds and keeps in his pocket.

In Geneva and New York it seems as if some large operators are trying to get rid of their francs. In Paris, foreigners--firms or non-resident individuals--with accounts in francs instruct their banks to "compress them to the maximum." When the New York market opens (at 1400 hours Paris time), the little screen of each exchange broker indicates a declining franc. The attack becomes more definite. Communication between the Rue de La Vrilliere and the Rue de Rivoli steps up. At the time of "fixing" at the Paris stock market--the moment the franc is quoted-- the Bank of France begins to intervene; it sells some foreign currency taken from its reserves, its daily supplies, in order to show that it is there to defend the French currency. There are still a few final operations, even after the market closes, then around 1700 hours Renaud de La Geniere informs Jacques Delors of the amount of the day's interventions. A discussion then ensues about what approach to follow if the attack persists.

In the days following, the supply of francs increases. Jacques Waitzenegger, the director of foreign services at the Bank of France, telephones his colleagues in the nationalized commercial banks. "Buy francs on my behalf." The goal is to hide the size of the central bank's intervention, the amount of exchange reserves it had to use to defend its currency, from the operators, especially those speculating against the franc.

In a snowball effect, the pressure mounts and the franc continues its decline. Because of the devaluation foreign operators are hoping for, their taste for purchases of marks, for example, has been revived. ("What I lose in interest rates I will regain in the exchange rate.") Paradoxically, they need to borrow francs for this, which they immediately exchange. Unable to borrow from the French (because they do not have the right to lend them any), they



will find the "goods" only on the Eurofranc market where only non-residents can participate. The speculation therefore helps increase the Eurofranc rate from New York to Tokyo and then in Frankfurt.

According to an Old English Proverb

By the time the domestic franc market opens, Renaud de La Geniere has gathered his colleagues together. Like every morning for the past several days, they wonder about possibly resorting to the use of interest rates. On the Rue de Rivoli the question is also on the agenda. But usually the banker's and the minister's answers diverge and give way to polite but stormy telephone conversations. Those in charge of economic policy actually often doubt the mechanical effectiveness of a rise in interest rates. "When confronted with speculators who are playing with a 10 percent devaluation, raising rates from day to day by even 4 or 5 points is not enough to get them to change their behavior," explained one of them. The minister is especially afraid of the effects of an increase on the cost of money on economic activity, domestic inflation and investment. At the Bank of France the exchange brokers themselves are convinced that, according to an old English proverb, "what you can't take from your rate you take from your reserves." Between February and 10 May 1981 the Barre administration's desire to keep the interest rate below 12.5 percent cost the Bank of France \$5 billion in currency interventions.

After a first refusal from the minister the day looks as if it will be a rough one. The Bank of France will have to make massive interventions. The government springs into action. First, the Treasury. Denis Samuel-Lajeunesse, head of the "foreign exchange market" office, queries the treasurers of large public establishments about their supplies of foreign currency. If the crisis should persist he could "turn on the faucet" by asking them to speed up their transfers of foreign currency--to do it in 2 or 3 days instead of 10. But that doesn't go very far. Despite the strong increase in borrowing in foreign currency authorized since the beginning of this year (Fr 28 billion during the first half of 1982, 33.5 billion for all of last year), the arrival of new borrowers on the international markets (the Real Estate Credit Bank, the National Credit Bank and the equipment credit funds of small- and medium-sized firms have been added to the group of large borrowers such as EDF [French Electric Company], GDF [French Gas Company], etc) has kept the rate of transfers weak and it is not easy to handle. On the one hand, these loans normally correspond to funding needs of the firms contracting them; on the other hand, access to the different capital markets is extremely rigid.

Our European partners are then called in as reinforcements. During one of the telephone conferences that link all the central banks of the EMS several times a day, discussion also comes up on the necessity of increasing interest rates. "Signal the market that you are determined to defend the franc," suggests the Bundesbank official.

There is then a top-level meeting; the governor is now in the minister's office. Seeing the drain of foreign currency, the minister agrees to a sizable increase in the daily rate of the money market. (It was raised to 20 percent on 22 May, 1981 and brought from 15 to 17 percent on Thursday, 18 March, 1982).

At the end of the day, however, the mark has reached its ceiling limit and the franc its bottom limit. An unfortunate situation, but one which enables France to resort to very short-term financing authorized by the December 1978 agreement, which was at the origin of the European Monetary System. On the basis of this agreement, when one of the currencies of the EMS reaches its bottom level (i.e., 2.25 percent below a determined rate, called the pivot rate) in comparison to another currency in the system, which itself is then at its ceiling level (2.25 percent above its pivot rate), the central bank of the former has a drawing right on the central bank of the strong currency. It can automatically obtain very short-term credits, "with open coffers and for unlimited amounts," credits that are reimbursable within 45 days, a deadline that can be extended to 3 months and is renewable once. The Bank of France might have resorted to such very short-term financing, especially during summer 1981 and then during the crisis of spring 1982. It probably borrowed between \$800-900 million at the time from the Bundesbank and the National Bank of the Netherlands to prevent the franc from going below its bottom level in Frankfurt and Amsterdam.

European cooperation does not end there. The central banks of strong currencies can agree to make investments in their own currencies less attractive by reducing their own discount rate. Last March, the Bundesbank, the National Bank of the Netherlands and the Swiss National Bank, in the thick of the crisis, did just this to help the franc. At the end of October they did the same.

But manipulating interest rates is not always enough to stop the drain. Thus, from the start of the crisis three-way conversations between the Treasury, the office of the minister and the Bank of France rapidly turn to controlling foreign exchange, another method to keep residents from speculating and to speed up the transfers of foreign currency. The technicians on the Rue de Rivoli then subject themselves to constant brainstorming. The government officials' imaginations are put hard to work to hasten the influx of currency and slow or even stop its outflow.

This method has worked every time. Each strengthening in the control of foreign exchange--the one of 22 May, 1981, "technically ready 18 May, the delay in implementing it cost the Bank of France \$5 billion;" the more limited one of 19 September, 1981; and the one of last 24 March--were most helpful in calming the market.

#### A Control That Has Never Been Completely Foolproof

By forcing exporters, as of 22 May, 1981, to give up their foreign currency within the month following the date of dispatch (instead of the 3 months previously in force) then within 15 days as of 24 March 1982, the Treasury naturally caused an instantaneous influx of foreign currency into the coffers of the Bank of France. Similarly, by reducing the possibilities of future margins from 2 months to 1 month (22 May 1981) and then by eliminating them completely (except for a few individual products), the Treasury has slowed down importers' outflow of foreign currency. Playing with the payment deadlines of operators is certainly effective, but it has its limits--it only works once. To use it again, it first has to be loosened up. Therein lies the great fear of the defenders of the franc; their ammunition is tending to become exhausted and, worse yet, their hold on the markets is decreasing.

Moreover, controlling foreign exchange is never completely foolproof. Thus theoretically it is still possible to turn the screws tighter. The Bank of France's controls have shown, for example, that certain French banks "involuntarily" loaned franc to foreign operators in May 1981 and even more recently, thus allowing them to speculate against the franc. The regulation of foreign exchange, already in force under Giscard, prohibits a resident from lending francs to a non-resident.

The control of foreign exchange as it now exists has the effect of neutralizing French commercial operators. "My margin of maneuver is practically nil today," stated Patrick Houel, in charge of foreign exchange at Moët-Hennessy, a firm that exports over half of its French production. "I have little, almost no, flexibility. As treasurer, about all I can do is choose the time of day I buy my dollars," explained Antoine Favier, director of foreign exchange at BP-France, a large importer. Even trade firms have only a small margin. "We certainly have more freedom than a lambda firm," admitted Thierry Bourvis, international treasurer of Sucres et Denrees (over 10 billion francs turnover, mostly in dollars). "However, we have more to lose than win by abusing our supervised freedom, by speculating against our currency during an attack against the franc."

In fact, and this is a "perverse" effect, the regulation of foreign exchange, by preventing French operators from managing the exchange risk inherent in their relations with foreign countries, has caused them to transfer the management of this risk to their foreign partners. This is how French firms draw up more of their international trade operations in French francs. A large French oil firm, which until now bought a large part of its crude from the Soviets in dollars, now has it billed in French francs. Two-thirds of our exports and more than one-third of our imports will now be drawn up in francs.

This transfer of the franc's foreign exchange management to foreign operators has a twofold effect. First, it helps reduce the volume of transactions in foreign currency handled by French banks on behalf of resident clientele, which means reduced commissions for French banks. Tongue in cheek, an exchange broker from the market commented, "The franc is in crisis and we haven't even realized it!" But above all this transfer has contributed to enlarging the Eurofranc market. "The foreigner is the one who holds the position in foreign currency. We have also given the foreigner the means to speculate against the franc." Since attacks against the franc can no longer come from French operators, they are developing on the Eurofranc market. Expecting a devaluation, non-resident speculators borrow Eurofrancs for one month and immediately exchange them for marks, this helping to increase the rates on the Eurofranc market. Every week last spring ended with a little spurt in rates.

#### A Very Flexible Process for "Confidential" Use

Of course, the activity that occurs on the Eurofranc market has no direct consequences on the reserves of the Bank of France--this market is completely beyond it. But monetary authorities are completely helpless when faced with

speculation on a market over which they have no control. It is said that the Bank of France intervened "clandestinely" and "against all its principles" several times recently on the Eurofranc market through branches of French banks abroad in order to drain liquidities. By borrowing on the Eurofranc market itself, it helped make rates rise, "thus strangling speculation." On what is considered a tight market, rates in fact rapidly reach high levels--at the most, 150 percent. The Bank of France's intervention on the Eurofranc market may have enabled it to reduce speculative activity without increasing interest rates on the French monetary market.

Such rumors are naturally denied by the Bank of France, since even disguised intervention by a central bank on its Eurocurrency market has had very bad press since the unfortunate attempts by the Bank of England in 1967. In any case, the possibilities for an effective intervention by the central bank on the Eurofranc market are limited. The precise scope of this market is not known (between Fr 20 and 120 billion) and it seems that there are too many francs held by foreigners for it to make rates change satisfactorily. To reduce the size of the Eurofranc market, there is a final weapon: force companies to draw up their foreign trade in foreign currency. For the moment the Rue de Rivoli prefers to remain undecided on this point.

Another possibility is the foreign currency reserves of the Bank of France. Monetary authorities have in this a large number of levers for reinflating the amount of foreign currency, but these methods are also becoming strained.

The object of the \$4 billion loan that was just signed was to borrow from commercial banks. "We are giving ourselves new means for defending the franc," recalled an advisor to the minister of the economy.

Borrowing from central banks was what was done with the Federal Reserve of New York and the Bundesbank in particular. The Bank of France has "swap" agreements--crossed lines of credit with them--through which it can unconditionally obtain dollars or marks for definite amounts. Inversely, the Americans or Germans can obtain francs from Renaud de La Geniere. The line established with the United States is apparently \$2 billion; the Germans have apparently recently agreed to "expand the possibilities of assistance" within this framework. A very flexible process which is for "confidential" use.

The different types of support included in the framework of the EMS are much better known. These include very short-term financing, "automatic assistance granted to weak currencies by strong currencies," short-term monetary support (3 months, renewable two times) resulting from agreements between central banks and, lastly, medium-term financial aide which requires a decision at the state level. These last two lines of defense, which the Matignon emphasizes are "completely available" at the moment, have so far been used only by Italy. Nevertheless, they have a very high political cost--they would put France under the authority of the European commission, which would then have more than a right of inspection over French economic policy. This is also the cost of other loan possibilities with international organisms such as the IMF, to which France could still turn.



## Like Aspirin for a Virus

The last line of defense is the Bank of France's sacrosanct gold reserves of over 3,100 tons, stockpiled during General de Gaulle's time. France has not sold a single gram of gold since 1968. Twenty percent of the horde is on deposit with FECOM, the European Fund for Monetary Cooperation. However, by touching this gold we could run up against France's idolatry of this yellow metal.

We should also add to this arsenal strong words and unshakable resolutions.. and subtract some unfortunate phrases. Raymond Barre did not forget to lecture those who "talk of a moratory just as France is borrowing on the international markets." Words are silver; here, too, silence can be golden.

As we see, the choices are many. However, neither financial means nor verbal resources can finish off the illness from which the franc suffers. "They are only aspirin to cure a virus." The problem is not new; its name is deficits. The franc still has many lines of defense. We must still maneuver them wisely and take advantage of the respite they give us to vigorously counterattack on the front of bottom line balances.

### The Franc's Lines of Defense (end of September 1982)

<u>Method</u>	<u>Maximum Amount</u> (in billions of Fr)	<u>Conditions</u>
Bank of France's foreign currency reserves	20.5	None
Holdings in ecus at FECOM	55.9	Almost automatic
Holdings in SDR's at the IMF	6.6	Almost automatic
A drawing right corresponding to our debts at the IMF	6.6	Automatic
Assistance of the EMS: very short term	unlimited	Automatic, granted by the money at the ceiling to the bottom, reimbursable within 45 days, twice renewable for 3 months
short term	11 (plus a possible extension of 30)	Decision of the boards of governors of the central banks of the member coun- tries. Duration: 3 months, renewable twice
medium term	50	Decision of the governments of the Community. Expires in 2 to 5 years. The EEC monitors the results

(chart continued on following page)



Community loans	40	Decision of the European Commission. Expires in 5 to 7 years. The economic policy of the borrowing country is placed under the authority of the Commission
Credits from other central banks, within the framework of swaps:		
With the Federal Reserve of New York	14	With the agreement of the lender
With other central banks	Unknown	
Bank loans	Undetermined	Market conditions
Loans with the IMF	20	First quarter automatic, remaining quarters with increasing conditions, reimbursable in 3 to 5 years, rate of 6.6%
	Plus an extension of 8	Easier terms
Mortgaging or selling gold reserves of the Bank of France	170.6	

The defenders of the franc have a number of means available. But each method has its disadvantages. The assistance of the EMS, for example, entails strong constraints. When should devaluation be preferred to being placed under the authority of the Commission?

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## JOBERT INTERVIEWED ON PROTECTIONISM, TRADE BALANCE

Paris LE NOUVEL ECONOMISTE in French 22 Nov 82 p 53

[Interview with Michel Jobert, minister of state for foreign trade, date and place not specified]

[Text] LE NOUVEL ECONOMISTE: Jean-Pierre Chevenement said that the trade balance had to be improved "using all possible means." Do you agree?

Michel Jobert: I agree with anyone who says we must improve the trade balance and no effort will be spared for such an emergency. But the good and bad ideas must be sorted out: developing current exports is a good idea, diverting trade within Europe is harmful and should be condemned. Too much protectionism is a bad idea.

LE NOUVEL ECONOMISTE: France is trying to bilaterally rebalance its trade with Japan and the Soviet Union. Is it planning on doing the same with Germany, its largest trade deficit?

Michel Jobert: Bilateral balance of trade is a simple goal with countries having a centralized economy. It has been demanded by the Soviet Union for a rather long time, ever since we had a surplus with that country. Today we can use this rather weighty argument ourselves, since the deficit will be about 10 billion. With Japan, where is the mutual benefit from trade? Why open our market without limit to a country with constant and obstinant protectionism, which refuses to change its behavior while increasing its delaying tactics?

With Germany there is the Common Market and the 1963 treaty. Not without extreme danger to our economy can we go beyond this framework which has benefited our two economies. We should say to the German government that its economic policy destabilizes trade between our two countries in its favor and increases our difficulties.

LE NOUVEL ECONOMISTE: Why is the government taking such "advance" protectionist measures as setting up a customs clearance center solely for videotape recorders?

Michel Jobert: I have no ill will toward Japanese videotape recorders, as long as the Japanese themselves finally decide to buy French planes and

helicopters. But unfortunately this is not the case. Did you know that for many years Germany and Italy have specialized their customs centers for steel products, which are much more heavily traded than videotape recorders? Did you know that in many countries products are cleared only at the borders? Remember how the United States insisted on clearing the Airbus parts miles from any airport! On the other hand, we have helped importers, perhaps too much, by increasing simplified procedures and clearing at the destination point.

LE NOUVEL ECONOMISTE: Can France lead its Common Market partners in a policy of firmness toward the United States?

Michel Jobert: The GATT ministerial meeting should not be the occasion for confrontation, but a real opportunity to measure the dangers weighing on world trade. I told our EEC partners that there was no point in splitting hairs over free trade and its virtues or over the "good old times" of the sixties, which has retrospectively been adorned with all trade virtues. The time has come to note all the effects of the economic crisis and, especially, the responsibilities of those who encourage fluctuations in exchange rates and who benefit from this, despite the disorder that they have more than a little helped to establish. What can be said about the responsibility of some countries such as Japan in the worldwide trade imbalance!

It seems to me that our EEC partners understood the gist of this.

LE NOUVEL ECONOMISTE: Do you favor applying the GATT regulations to the services sector?

Michel Jobert: This is what the United States wants. This is understandable, because here again they dominate! But it seems to me that this demand is unrealistic for two reasons: the current difficulties in world trade cannot simply be reduced to developing free trade for services, as if this activity would spontaneously revive it. Then, the United States itself has not specified the nature of its demand and we can hardly tell the scope and duration of the activity to be undertaken. Unless it means upsetting the developing countries...

LE NOUVEL ECONOMISTE: How far is France willing to go in the area of making credits to the USSR more expensive or in eliminating them?

Michel Jobert: We have already done a lot; the interest rates offered the Russians are 12.40 percent (and no longer 7.5 percent) for credits over 5 years in length and we have agreed to consider the Soviet Union a "relatively rich" country, from the viewpoint of credit conditions. On the other hand we are not offering them doubletalk.

We urgently want to reestablish a trade balance with them. Therefore, we are not trying to restrain their credit and at the same time sell them sizable quantities of grain and miscellaneous equipment.

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## MATRA SUBSIDIARIES DECLINE ON STOCK MARKET

Paris LE NOUVEL ECONOMISTE in French 22 Nov 82 p 87

[Article by B. A.: "Matra: More Losses for Its Subsidiaries"]

[Text] Once again, speculation seems to have taken hold of Matra. After a long decline, the stock was one of the most active on the futures market last week. On Monday, 8 November, over 11,300 shares were traded, most of them on the "unofficial market." However, this did not prevent the stock, which had gained more than 31 percent since the resumption of quotations last 5 April (at almost 1,800 francs) from losing over one-third of its advance in the space of 6 weeks.

The market is as unsteady as the figures for the firm directed by Jean-Luc Lagardere and they have upset investors. At the level of Matra, the parent company, the turnover and the net results should increase another 22 percent this year. But the conglomerate itself has many problems. According to Bertrand Ducreux, of Lavandeyra, the cumulative losses of the various subsidiaries should hit Fr 100 million in 1982 (compared to 125 million francs in 1981), which would give a current net consolidated profit (minorities excluded) of Fr 250 million (compared to 160 million for fiscal year 1981). The consolidated figure per share will increase from 130 to 151 francs for a capital that rose by 34 percent because of the state's recent participation in the firm (51 percent).

Nevertheless, the conglomerate's prospects in the long run are attractive. As Ducreux states, "The military branch, which accounts for about 43 percent of the 1982 consolidated turnover (which was about Fr 9.2 billion) should undergo some interesting expansion, as should the space, data processing, control and automatic devices branches because these are the markets of the future." Similarly, significant results could be obtained in the components sector starting in 1985 (after a break-even figure in 1984). As for the clock and watch branch (Jaz, Yema), it should balance by 1984, perhaps even by 1983.

But there are still some black spots. First of all Manurhin, which is faced with sizable operating problems, high financing costs and exchange losses. Or Matra Automobile, whose loss of about Fr 85 million in 1981 should be close to 140 million this year.

These figures could be jeopardized by the necessities of the government's industrial policy. At current rates, the share capitalizes the estimated profit for 1982 more than tenfold, which seems a bit overvalued. And its overall yield is only 5.5 percent.

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## STEEL DISPUTE WITH EEC OVER PRODUCTION CUTS

Rome L'ESPRESSO in Italian 28 Nov 82 pp 260-265

[Article by Tullio Fazzolari: "Weak As Steel"]

[Text] The sector's deficit will reach 1,400 billion lire by year end, and the EEC is asking for new cuts in production. De Michelis does not want to hear of it, but...

Rome--the gap keeps getting wider. Year after year the Italian steel industry continues to suffer staggering losses. Finsider [Iron and Steel Finance Corporation], the State controlled iron and steel group, is increasingly in the cyclone's eye. It's financial situation in 1982 is going to be worse than foreseen. Losses will amount to at least 1,400 billion lire. And yet only a few months ago the administrators of the State industry were hoping that the deficit could be kept at a little over 1,000 billion lire. Still a negative result, but it would have meant cutting in half the 1981 losses which amounted to 2,300 billion lire. But the attempt failed.

All of Finsider's problems cropped up after the first six months of the year showed satisfactory results. The world markets collapsed and Italy undoubtedly could not be spared. Steel consumption in our country stopped at 20 million tons, less than what the State steel industry had foreseen. The dollar rush inflicted another blow to this sector which needs U.S. currency for its supplies of raw materials. Among all these difficulties, the Italian steel industry could not manage to come out of the crisis. At Finsider they checked and double checked their figures, but they did not come up with more reassuring results. 1982 will not go down in history as the first year in which a recovery occurred but as one more year of deficit, which will amount to at least 1,400 billion lire. And it is not said that it will stop here. By the end of the year, with the atmosphere of crisis all around us, it is still quite possible that the deficit may go over the 1,500 billion lire mark. The days when Finsider's strategic plan approved by CIPI [Inter-ministerial Committee for Industrial Policy Coordination] estimated a loss of only 500 billion lire for 1982 seem as far away as a dream.

And the worst is yet to come. The State steel industry estimated for the coming year a loss of only 54 billion lire. In other words, almost a balanced budget. But this illusion already vanished.



And it was the European Economic Community that suddenly awakened the Italian steel industry. From Brussels there was first advice followed by warnings, then admonitions and lastly threats. The most realistic is Frans Andriessen, responsible at EEC for policies concerning competition: "1983 will be the hardest year for the European steel industry." And there is no hope that the Italian [steel industry] may remain a happy oasis.

EEC has no doubts on that. By 1985 the European steel industry will have to cut down its output by 35 million tons. And in particular the Italian [industry] will have to curtail [its production] by at least 4 million tons, which practically means closing a steel plant as large as half of Taranto or Bagnoli and Cornigliano combined. Etienne Davignon, responsible for EEC's industrial policy already said it bluntly: "Closing some plants will be only the corollary of a logical analysis." Which is enough to unleash the reactions of the Italians. A dispute was unavoidable. Andriessen and Davignon on one side and Giovanni Marcora, Minister of Industry and Gianni De Michelis, Minister of State Participation, on the other. The men of the EEC especially do not seem to get along with De Michelis: "It is impossible to speak with this man," Andriessen told his collaborators after a 2-hour discussion with the socialist minister. And De Michelis, on the other hand, remarked: "But these people are crazy! Closing, closing, that is all they can say. But I am not closing anything. Are they going to send me to the European Court of Justice? Let them send me, let them send me and we shall see."

The misunderstandings between the Economic Community and Italy are not only of a personal nature. There is a divergence on the whole steel problem. As we said, according to Andriessen and Davignon, some of Finsider plants should cease operations. For some plants, they say, there is no market. Others, at this point, are deeply in trouble. But above all, the recovery plan for the State steel industry must be reviewed. A plan which, according to the EEC, is based on wrong economic premises: evolution of the Italian economy, capacity of absorption by the domestic, European and international markets. De Michelis disagrees on everything. He said in Brussels that by 1985 the Italian State steel industry will increase its sales by 33 percent on the domestic market and its exports by 50 percent. And Davignon replied: "If we maintain the present quota system of production that was introduced to prevent prices from falling, the expansion in production planned by Finsider is not possible because other European companies of the same sector will not easily agree to grant her additional market quotas. On the other hand, if we go back to free competition, prices will tumble and we can say good-bye to the economic recovery of the steel industry."

That is why the EEC men are insisting. "A serious plan," said Andriessen and Davignon to De Michelis, "must allow for greater concentration of Finsider's production cycle." And the EEC has already indicated for some time in a document sent to the Italian government which plants should be closed. In Terni the plant manufacturing metal parts for steel-reinforced cement should be closed. In Genoa a metal sheet plant with a negative record is a candidate for elimination: it managed to operate at 39.5 percent of its capacity. In Bagnoli, where the metal sheet plant operated at 45 percent

of its capacity, the production of thin metal sheet will have to be stopped. As an alternative, the metal sheet plant at Marghera could be closed. The hardest blow is still missing. According to the EEC, the production of at least 1 million tons of coils a year, namely those layers of thick metal plates which are used in various industrial sectors, should also be frozen. In Italy there are only four coil producing plants. And, by exclusion, the Genoa-Cornigliano plant is the designated victim. In effect, it is the oldest plant, but it is located in the middle of a steel manufacturing complex whose modernization came to almost 400 billion lire in the last 5 years. Discontinuing Cornigliano's production of coils would mean creating a gap between two segments of a manufacturing process. The unfinished product would have to be sent to Taranto or Bagnoli [both in the South] and then the coils will have to be brought back to the North to be worked on in Cornigliano.

"Never!" was De Michelis answer to Davignon and Andriessen. "We would rather let private companies close." And, in fact, Marcora, minister of industry, sent to Brussels a list indicating the closings of plants which would cause a reduction in the production of metal sheet of a little over 2,000 tons. There is Teksid (with 415 tons), Falck (105 tons), Illsa Viola (60 tons), Redaelli (45 tons) and some others. Moreover, the Italian representatives maintain that something has already been cut. For instance, as a consequence of the Finsider-Teksid agreement, steel production has been reduced by 400,000 tons and will be further reduced by another 130,000 tons. But the EEC is not convinced. Are there not in Italy some who are instead planning to increase the steelmaking capacity of the plants? "We believe," they say in Brussels, "that your real production cuts will be a little over 300,000 tons."

As the dispute continues, the disagreement widens. Marcora replies that the production cuts requested by the EEC is based on figures which nobody ever saw or discussed. Supported by Leopoldo Medugno, former director general of IRI [Industrial Reconstruction Institute], who is representing De Michelis, the minister of industry rejects any criticism of the recovery plan concerning the State steel industry: "the truth is always the same," he remarks to Davignon; "when I was minister of agriculture, you were trying to block our production of milk and sugar so that you could sell us yours. This is the community of the status quo. The person occupying the most comfortable chair does not want to move over and unload the problems on the others. But we cannot accept that." And Marcora's viewpoint is not without foundation. For some products (flat steel sheets) France and Germany have a surplus (24 and 34 percent respectively), while Italy produces 6 percent below its needs. The request of a cut appears to many as a provocation and closing Cornigliano seems like a trial balloon to give more room to plants like Fos in Southern France.

How is the war between the EEC and Italy going to end? Not everybody is pessimistic, not even in Brussels. Perhaps, in the end the community will give up some of its heaviest demands. And the Italians will put together, perhaps by granting generous demolition premiums, a good package of more or less marginal production lines to be closed. Because some plant closings are

necessary and not only to comply with the EEC dictate, the European steel crisis (main issue discussed by the ministers of industry during the meeting held Thursday 18 November in Copenhagen) is only one of the elements of the crisis which hit the Italian steel industry. Finsider alone represents 80 percent of IRI's losses; it is, therefore, the biggest money loser of all State controlled industries. Factory orders keep declining: 22 percent for Italsider, 15 percent for Terni, 12 percent for Piombino. Sales ranging between 28 and 31 million tons estimated only a few years ago for 1985 seem no longer attainable. The efforts of the new administrators (Lorenzo Roasio, Finsider president, and Sergio Magliola of Italsider) have again provided a way out of the crisis. With 7,000 less people, the State steel industry manages to produce the same amount of steel. The problem is selling it. And, therefore, a smaller steel industry may be advantageous after all. The plan is ready: only half of Cornigliano will remain in operation, two-thirds of Bagnoli and Taranto can also be trimmed. This means a loss of about 10,000 jobs. But it is not a plan that can be put into effect without traumas.

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## REVIVED COMMERCIAL RELATIONS WITH EGYPT EYED

Istanbul DUNYA in Turkish 6-8 Dec. 82

[Article in three installments by Vecdi Sevig: "A New Period Begins in Turkish-Egyptian Relations"]

[6 Dec 82 p 4]

[Text] Turkey has not forgotten its historical ties with Egypt and seems to be moving toward resolving its problems of legacy with this country of 42 million inhabitants a century too late. When Turkish Minister of Commerce Kemal Canturk visited Egypt [last November], Turkish newsmen had to toil for about an hour to enter the VIP lounge at the Cairo International Airport. The day Canturk arrived in Cairo, a Turkish Union of Chambers [TUC] delegation was busy processing through the Egyptian customs the goods that would be exhibited during the Turkish Week in Cairo.

Only two hours before the opening ceremonies of the Turkish Week--held every March at the Cairo Fair in Nasser City--former Turkiye Is Bankasi Director General Cahit Kocaomer and former Minister of Industry and Technology Sahap Kocatopcuoglu expressed declining optimism about the future of the week while arranging the shelves of the Turkish Bottle and Glass Pavillion. But the crowds that stood behind Egyptian Minister of Economy and Foreign Trade Mustafa Kamal al-Sa'id who opened the Turkish Pavillion on 20 November pleasantly surprised both Kocaomer and Kocatopcuoglu as well as [TUC President] Mehmet Yazar. During the 8-day Turkish Week in Cairo, it was impossible to find any officials at the Turkish Export Products Exhibition where 77 firms displayed their wares and which attracted as much attention as the handicrafts displays. This provided an important advantage to firms which were represented at high levels of government. No one was present from the Soil Products Office to promote lentils which is a staple in high demand in Egypt. The Sumerbank desk was also short of representatives. [Koc Holding President] Vehbi Koc and Izak Kahmi, who set up headquarters at the Heliopolis Sheraton, [Sabanci Holding President] Hacı Sabanci, who did his business from the Nile Hilton, and nearly 100 other Turkish businessmen staying at the Concorde Hotel across the Cairo Airport--no one still knows why that hotel was chosen despite all its disadvantages--did not know who to trust their Egyptian representation to. Vehbi Koc, who was visiting Egypt for the first time since 1952 and who found "Cairo very changed," was very pleased with the business contacts he had established through the Ram trade company.

Agricultural and agricultural industry product manufacturers are most optimistic about the Egyptian market while ready-made clothing manufacturers do not have much hope for success. Egypt is an important market for Turkey, particularly in view of its high consumption of lentils. However, the fact that one Turkish firm could not meet its contract commitment to deliver lentils at \$400 per metric ton can have adverse effects on future contracts.

#### Fashion Shows and Import Restrictions

In last 20 years, Egypt has ranked between 24th and 50th among Turkey's trade partners. So that, Turkish Embassy officials in Cairo, who were worried about the arrival of a Turkish minister in Egypt, were surprised with the interest shown about the Turkish Week.

The fashion show given at the Turkish Embassy in honor of Mrs Mubarak, the spouse of the Egyptian president, had a special significance for foreign mission chiefs and their spouses in Egypt. Males among the 86 guests invited did not attend the fashion show. The administrators and teachers from the Maturity Institute of the Ministry of National Education, who could not get any travel allowance from the ministry and had to travel to Egypt with their own funds, represented Turkey as well as the businessmen did. Maturity Institute members had trouble even in borrowing two models from the special fashion show group who carried official grey passports. Still, the fashion and mink show at the Turkish Embassy drew a lot of attention. One concrete fact that emerged at the end of the Turkish Week was that Egypt has major restrictions on imports of ready-made clothing.

Speaking about Turkish ready-made clothing exports to Egypt, Egyptian Union of Chambers President (Ezzat Chidan) said:

"The Egyptian import regime makes the purchase from abroad of ready-made clothing products impossible. This branch of industry is completely protected. The only exception to this rule is the special orders made for those working in the public sector. A Foreign Trade Ministry delegation signed all the necessary contracts for the public sector during a visit to the Far East a few weeks ago. However, the trade delegation that will visit Turkey in December may take up this issue and agree to sending a separate delegation to Turkey for Egypt's next import agreement in this area."

#### Optimism on Agricultural Products

Most prominent among goods that Turkey may sell to Egypt are housewares, construction materials, meat and automotive products. Otomarsan billboards and Murat-Sahin cars can very commonly be seen in Egyptian streets. Sirri Palanduz, the owner of the Palanduz firm, which manufactures electric ovens in accordance with Western standards and which exhibited its products during the Turkish Week, said that he does not "know who to give his dealership to in Egypt." He said:

"So far, I was approached by five firms which proposed to act as authorized dealers for my firm. But I do not know which one is most effective in Egypt. I will sign small batch contracts and then I will send general sales dealership certificates."



One of the most important problems the Turkish firms that participated in the Turkish Week had was taking back the goods they had brought over to exhibit. Although Egyptian Foreign Trade Minister Mustafa al-Sa'id personally intervened in the matter, the issues of exports and transfers of foreign currency payments to Turkey had not been resolved until the last day.

At the counter for which former Minister of Industry and Technology Sahap Kocatopcuoglu was responsible, a septuagenary Egyptian citizen seemed a little angry at Kocatopcuoglu.

When the Egyptian asked "why the exhibited goods were not being sold," Kocatopcuoglu, knowing that Egypt's import regime and foreign currency regulations are even more restrictive than those of Turkey, replied:

"Turkey is here with the desire to sell these products, but it has not been able to overcome Egyptian red tape."

#### Relations Begun With Letters

When the Cairo postmarked letter reached the TUC in 1980, it took TUC President Mehmet Yazar 15 days to decide what his reply would be. A delegation from the Egyptian Union of Chambers wanted to visit Turkey to explore the possibilities of developing trade relations with Turkey. Upon the arrival of the letter, a special commission was set at the TUC to study Egypt. Egypt was the cultural center of the Islamic world with its Al Azhar University housing 80,000 students, its foreign currency earnings had been steadily rising, it had a consumer-oriented economy and its high population growth rate was an important factor in spurring consumption. In a letter mailed to the "Egyptian Chamber of Trade, Cairo," Yazar said that they were waiting for the Egyptian delegation. The arrival of the Egyptian delegation in Turkey foreshadowed a new phase in bilateral relations between the two countries.

That was the beginning of the path that led to having the largest number of Turks on Egyptian soil since Yavuz Sultan Selim's Egyptian campaign. Egyptian businessmen hosted in Turkey's most luxurious hotels and entertained in night clubs were followed by talks at the ministerial level.

Responding to a question about pressures to develop relations between the two countries, Mehmet Yazar said: "There have been no pressures. Nobody told the TUC what to do." He added:

"All these links began with the letter that came from Egypt."

[7 Dec 82 p 4]

[Text] A report sent by the Turkish Embassy in Cairo to the Ministry of Foreign Affairs last August--before the start of the Turkish Week--stated that it would not be easy to arrange ministerial-level contacts between the two countries in 1983. Less than 3 months after this report was sent Egyptian Foreign Minister Kamal Hasan 'Ali paid an official visit to Turkey. The Turkish government agreed to a return visit in the indefinite future. But then Minister of Commerce Kemal Canturk paid an unofficial visit to Egypt and said at Cairo airport:

"We attach special importance to the development of trade relations between the two countries from a perspective of regional peace. Egypt is an important market for Turkey."

In a diplomatic and courteous reply, Egyptian Minister of Economy and Foreign Trade Mustafa Kamal al-Sa'id said:

"Our goal is to raise the trade volume between the two countries to \$1 billion. We would like to raise Turkey's as well as Egypt's exports."

Touching upon the same issue, Egyptian Union of Chambers President (Ezzat Chidan) summarized his views without feeling the need to obey diplomatic rules by saying: "It is a trade rule: you sell as much as you buy." When asked for a list of Egyptian importers, (Chidan) said:

"We do not have a list of importers, but we have a catalog of exporters. Let me give you two copies as a gift." Later, Egyptian Union of Chambers officials tried to sell to Turkish exporters the same catalog for 10 Egyptian pounds, that is 2,000 Turkish liras.

#### Calls for Joint Investments

Whereas the goal of the Turkish delegation was to try to raise Turkish exports to Egypt from their 1981 level of \$72.1 million, the Egyptian officials tried to get Turkish entrepreneurs interested in the Port Said free-trade zone. This issue was on the agenda of talks held between Kemal Canturk and Egyptian Minister of Industry and Mineral Resources Fu'ad Ibrahim Abu Zaghlal; Turkish entrepreneurs were invited to invest in the Port Said free-trade zone within the framework of Egypt's second five-year plan.

Turkish entrepreneurs do not appear very eager to invest in this free-trade zone which is supported mainly by capital from Italy, Algeria, Saudi Arabia, the United States, Sudan, Somalia and Argentina. Speaking about the issue of joint investments, Muharrem Eskiyan, an entrepreneur who has had business dealings in Egypt for Nuh Cement for many years, said:

"Investing in the cement business here is very risky. As an industrialist, I would not want to take such a risk. Small manufacturing plants could be set up, but building a cement factory is not a risk that can be taken."

In the free-trade zone in Port Said, which lies at the entrance of the Suez Canal, foreign firms are exempted from taxes for 5 years and are given special incentives for joint investments. A number of Turkish businessmen who thought Port Said would be an open market for retailers realized that they had made a mistake in their dealings when they compared prices with stores in downtown Cairo. Port Said differs from the Kilis of 3 years ago only with respect to buildings and its road network. A former Egyptian Minister of Economy and Foreign Trade who acts as host to businessmen at Port Said buys dollars at 110 piasters, compared to the official exchange rate of 82 piasters to the dollar, and receives a commission for his work from the receptionist at the Holiday Hotel.

Turkish businessmen, who are shy about making investments in the Port Said free-trade zone, had extensive contacts during the Turkish Week for possible exports to Egypt. During these trade talks, which became very intimate after Uruguayan beef spit-roasted Turkish-style was served to the Egyptian guests with scotch whisky, TUC President Yazar gathered the Turkish exporters together and gave them some advice. Yazar said: "We need extensive intelligence before we sign any contracts with Egyptian businessmen. We must be very careful in assigning sales dealerships."

A special TUC note was distributed among the thirty or so businessmen who attended a meeting at the Egyptian Union of Chambers. The note pointed out that Israel could be Turkey's biggest competitor in Egypt and proposed that intermediaries be used in government contracts. The note also drew attention to the slow pace of the Egyptian bureaucracy and asked all concerned to keep all these points in mind in all their business dealings.

#### Friendship With Turkey; Trade With Those Who Know

The incomprehensible aspects of the Egyptian import regime are far more in number than the comprehensible aspects. (Ezzat Chidan) responded to all questions about the mechanics of import transfers by saying: "Let us have a look at it." Westerners and Egyptian businessmen who have mastered the secrets of the Egyptian import regime act as intermediaries in the sale of Turkish goods and have their own ways of overcoming all obstacles. For example, French firms act as intermediaries in the sale of many Turkish products to Egypt.

Egyptian firms, on the other hand, are working hard for new contracts. Turkish businessmen are advised to move cautiously in this area. During the time the 500-member Turkish delegation was in Cairo, Ahmad Abdul Ghaffar, acting in the name of the Egyptian Ministry of Supply, signed an agreement with Uruguay for the sale of 24,000 metric tons of frozen meat. A few days after this agreement was signed Ghaffar started talks with Ireland for the purchase of 40,000 live cattle 20,000 of which would be delivered immediately and after being slaughtered would be sold at low prices through cooperatives. Around the same time another agreement was signed between the Egyptian Minister of International Investment and Cooperation Wagih Muhammad Shindi and the U.S. Ambassador in Cairo, Alfred Atherton. The agreement, signed on 24 November, provides for U.S. aid in flour and wheat amounting to \$225 million during 1983. When, on the day this agreement was signed, Ankara Milling Company Ltd Director Ayhan Aktan asked "when Turkish flour would be allowed to enter Egypt," he was told that "that issue will be discussed when an Egyptian delegation visits Ankara in December." Kemal Canturk personally joined the efforts to have repealed the import ban on Turkish flour which was imposed by the Egyptian government when, years ago, a shipment of Turkish flour turned out to have been spoiled. Egyptian Minister of Supply Ahmed Nouh told Canturk that the "issue is being examined."

When the issue of developing Turkish-Egyptian economic relations at the government level was brought up all the ministers were unanimous:

"We need friends and brotherly Turkey's assistance in the implementation of our five-year plan."

The Egyptian government is trying to spread among the people the excitement of returning to planned development. The Egyptian television, which broadcasts in color on two channels, has a daily 50-minute program on its first channel entitled "Before the Government Plan is Submitted to the People's Assembly." In the program each minister explains his ministry's section in the plan.

[8 Dec 82 p 4]

[Text] It is very hard to find consistency in Egyptian statistics. According to the latest figures--said to be the most reliable and included in the new plan--the country's per capita annual income is around \$555. That is one-third the comparable figure for Turkey. The new plan envisages per capita income to rise by 5.7 percent a year and exports to grow by 9.2 percent a year from their current level of \$4.3 billion.

Egypt's biggest hopes in increasing its exports rest on petroleum and cotton products. The increased production of crude oil in the last few years constitutes Egypt's biggest window of hope for larger exports. An Al-Akhbar correspondent specializing in oil matters and hopeful that Turkey may turn to Egypt for its oil needs was surprised when he was told that "Libya and Iran owe to Turkey" in response to his question on whether "Turkey owes money for oil imports."

Egypt's most important export product after oil is cotton and cotton textiles. In this area, Egypt has a competitive edge in world markets because of its low labor wages. But Egypt's backwardness in the use of technology is grinding its competitive edge to a minimum. The new five-year plan has allocated for investment a total of 35 billion Egyptian pounds (approximately 7.7 trillion Turkish liras) of which 8 billion Egyptian pounds are earmarked for the modernization of the cotton industry. Energy investments take second place in investments with 2.5 billion Egyptian pounds.

The new five-year plan envisages creating new jobs for 2.1 million people. It is estimated that by the end of the five-year plan the employed workforce will have grown to 13.8 million. The five-year plan envisions growths of 50.1 percent in agriculture, 73.6 percent in manufacturing, 41.2 percent in services and 47.3 percent in government services. Speaking about the plan's goals, the Turkish Commercial Attache in Cairo, Emre Ergin, said:

"The plan primarily focuses on the country's self-sufficiency in food and developing its housing, transportation and communications sectors. Thus basic consumer needs and social investments carry a bigger weight than industrial investments. It is expected that efforts will be made to strike a balance between social and industrial investments in the five-year plan."

#### Effectiveness of Foreign Capital

The Egyptian government has opened its doors to foreign capital in industrialization. The government describes its economic policy as "open door policy." Currently, there are 23 foreign banks operating in Egypt. In the last week of November, some of these banks began talks with the Ministry of Economy and Foreign Trade on the possibilities of joint investments. While the Citibank, the Chemical Bank,



the Lloyds Bank, the National Bank of Pakistan and the State Bank of India were discussing the issue of joint investments, an 11-member delegation from the British Chamber of Commerce arrived in Cairo to examine the same issue.

### Unsolved Housing Problem

Egypt's annual housing needs are estimated at 150,000 units. In this area, Korean firms make their presence felt in this country. The housing problem of tens of thousands of people who live in the cemeteries of the capital is not included in this figure. Egypt, where, apart from the tens of thousands of people who live in the cemeteries without water or electricity, millions in the low-income group live without basic amenities, is a more important market for construction equipment manufacturers than for contractors. For example, Ibrahim Bodur, who was in Egypt during the entire Turkish Week, was optimistic about the developments:

"We evaluated possibilities for new agreements. Egypt can be an important market for Turkey."

Mr Rabie, the regional director of New (Belbeis), a new town being built with government funds carrying interest rates of 4 to 9 percent, said about the project:

"The credit agreement for 35 million Egyptian pounds was signed in the name of the cooperative a short time ago. The credit will be used to build 3,600 apartment units which will provide housing for 20,000 people. A construction agreement has been signed with a prefabricated housing company. Civil servants will be given priority in the allocation of the newly-built housing units."

The Egyptian government has a special housing program for soldiers and policemen. In every quarter of Cairo there are multistory buildings which house civil servants. The Al Giza quarter, which lies on the road linking Cairo to the pyramids, has been set aside for higher-income citizens who live in buildings with two or three stories.

In Egypt, only 25 percent of the industry is in private hands. Most big purchases are made by the government. Speaking about the import agreement process in the public sector, Emre Ergin said:

"In the public sector, bids are accepted only after the necessary permits have been obtained from the ministries concerned and foreign currency funds have been allocated to the organization concerned. According to the current regulations, bids can be submitted only through Egyptian firms. Any bids which come from outside channels will not be considered."

In Egypt, purchases of flour, wheat, corn, beans, sesame seeds, leaf tea, sugar, animal fats, tobacco, coal, cooking oil and meat are mostly conducted by the government. One contract that may closely interest Turkey will be opened for bids on 12 December. Turkish exporters will be able to submit bids under the conditions explained by Emre Ergin for this contract for 4,000 metric tons of frozen meat.

The Egyptian private sector imports are divided into four groups. In each group, the importer is obliged to find some of the foreign currency he needs for his purchases. This requirement has led to a growing black market in foreign currency.



Of the foreign currency needed for a purchase, the importing firm is required to find on its own 25 percent for basic goods and medicines, 40 percent for raw materials, agricultural chemicals, industrial tools and construction materials, 75 percent for transportation vehicles, spare parts and engines and 100 percent for consumer goods and luxury products.

A permit from the "Import Improvement Committee" is required for importing metallurgy products, cosmetics, scale models, sanitary equipment except bathroom materials, steel rods, porcelain tiles, pencils, pumps, forestry products, aluminum, compressors, various chemical products and goods to meet the needs of the textile industry.

In Egypt, Turkey will compete against Italy, Spain and Greece in food products; Japan, Italy and Romania in construction materials; and Argentina, Australia and Uruguay in frozen meat. At the French-built Concorde Hotel where the Turkish delegation stayed for 12 days, the labels on the daily-served canned fish said that the product was from Greece. The same situation applies to olive oil.

In a world where historical ties have no effect on trade preferences, no one can, at this point, predict the possible outcome of the latest developments which combine the excitement of the search for new markets and the cautious approach of the Turkish Foreign Ministry which is worried about political expectations that will ensue the development of economic relations with Egypt, a country of 42 million inhabitants with a total annual import volume of \$8.6 billion. For the moment, the Egyptian Minister of Economy and the Turkish Minister of Commerce agree on a "trade volume target of \$1 billion." But it is not yet clear what actual trade balance this agreement will produce.

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CSO: 3554/77

## DIFFERING COMMENTS ON UN SECRETARY GENERAL'S STATEMENTS

## Approval Expressed

Nicosia KHARAVGI in Greek 8 Dec 82 p 1

/Text/ Even though we still do not have in our hands the full text of the report UN Secretary General Perez de Cuellar submitted to the Security Council, from its outline as reported in the press yesterday it appears to be an important document which should be studied carefully and seriously considered in charting our future course and actions in the international arena and especially in the UN framework.

It is generally known how well the present UN secretary general knows the Cyprus problem and how deeply he is connected with Cyprus. Undoubtedly he sympathizes with our just cause and sincerely wants to help solve the Cyprus problem permanently and equitably. Therefore, no one can attribute to him any other motives other than his interest in promoting a peaceful solution.

With regard to the delicate and controversial subject of the intercommunal talks, de Cuellar makes the affirmative statement in his report that "they continue to be the best available means for continuing an effective negotiating process for achieving an agreed, just and permanent solution of the Cyprus question..." But the UN secretary general does not appear to be satisfied with the protraction of talks during the year without any good results. On the contrary, his concern for the future appears to be strong.

Because of his position as UN secretary general and of the fact that the intercommunal talks are conducted under his aegis, Perez de Cuellar maintains in his report a neutral position and avoids blaming either of the two sides. But he well knows the good will, the sincerity and the political flexibility the Greek Cypriot side and its government have shown in these talks. By contrast Turkey and the Turkish Cypriot side have shown an inflexible and irrational intransigency, an insistence on the established facts of the invasion and occupation.

Without underestimating or sidestepping the difficulties for achieving an agreed upon constitutional and territorial solution, de Cuellar calls on the leaders of both sides to show the needed political will, courage and skill in finding a solution. He again said that he would do whatever he can to help these efforts.

On our part, we appreciate his efforts "to find a peaceful solution" to the Cyprus question and we ask all political leaders of both communities and especially those who handle the Cyprus problem to consider seriously the recommendations of a true friend of Cyprus who, from his lofty position as UN secretary general, can help us in a decisive way.

### Negative View of Intercommunal Talks

Nicosia I SIMERINI in Greek 8 Dec 82 p 3

/Article by Ah. Konstandinidis: "Since We Do Not Want the Dialogue, Why Don't We End It?"

/Excerpts/ In his latest report on Cyprus as published yesterday, UN Secretary General Perez de Cuellar repeats the fact that political determination is needed for achieving a negotiated solution /of the Cyprus issue/. One, however, would be a great optimist, if not naive, to believe that those governing us--and who are not in a position to reach decisions on very simple issues--would be in a position and would have the political courage to arrive at decisions on the Cyprus problem.

The reference of the UN secretary general to the intercommunal talks is another point to which Nicosia and Athens, especially the latter, should pay attention. In his report the secretary points out that these talks "are the best available means for an effective negotiating process for achieving an agreed upon solution of the Cyprus problem."

The UN secretary's general support of the process of the intercommunal dialogue comes at a time when an open war has started in Nicosia and Athens against such talks whose termination is indeed being asked. Specifically, the official Athens News Agency in a commentary 2 days ago supports the "disentrapment," as it calls it, of the Cyprus question "from the endless and falsely defined intercommunal dialogue which (...) falsifies reality and contributes to the dangerous extension of the occupation facts."

Greek Premier Papandreou also supported the same position with a statement he made at the meeting of the leaders of the EEC countries pointing out that "the intercommunal dialogue perpetuates the Turkish occupation of Cyprus." He added in his statement: "The deadlocked dialogue is continued without dealing at all with the basic, essential problems." No clearer and more categorical announcement of the dialogue could certainly be made. Since the dialogue is perpetuating the Turkish occupation, as Papandreou claims, then this dialogue supports the Turkish side.

Papandreou's message is very clear and there is no doubt at all about it. He plainly tells us that the time has come to terminate the deadlocked dialogue in which we are entrapped. However, the most peculiar thing in the sequence of these events is that President Spyros Kyprianou readily welcomed the /Papandreou/ statement-denouncement; the dialogue, in other words. "I greet," Kyprianou said at the unveiling of the Makarios statue, "the initiatives of the premier of

Greece." But why does not Kyprianou terminate the dialogue if he welcomes Papandreou's denouncement of the intercommunal talks? If he does agree with the premier's views he should immediately renounce the dialogue and ask for its end without any delay. If, however, he disagrees with Papandreou's positions and does not want nor does he intend to interrupt the dialogue then he should say so openly.

We must at last become serious if we want the foreigners to take us seriously. Because we cannot on the one hand denounce the dialogue and on the other continue it at the Lidra Palas [Hotel] smiling broadly as if nothing is happening. If we have reached the conclusion that after almost 5 years the intercommunal dialogue has only negative results, then let us end it. But this too needs political determination and the necessary courage for reaching decisions. And here lies the problem...

#### De Cuellar Statements Attacked

Nicosia TA NEA in Greek 9 Dec 82 p 3

/Article by Andreas Frydas: "The de Cuellar Symptoms"

/Excerpt/ Perez de Cuellar is clearly unfriendly /toward Cyprus/. In his report to the Security Council he carefully avoids mentioning the continued occupation. He pretends to forget Ankara's recent provocative actions in Cyprus (from the assassination of the unfortunate Greek Cypriot soldier to the distribution of land parcels and the change of Cyprus' demographic change of population).

Yes, de Cuellar is clearly unfriendly. He bypasses the substance of the Cyprus issue--the invasion, occupation and therefore Ankara's guilt--and is tormenting himself with details, wishes and advice on...political courage and skill!! /He is/ plainly unfriendly because he does not mention in his report the occupation, the continuous violations of the sovereign rights and the semi-dissolution of the Cypriot republic, a member of the United Nations which de Cuellar directs. At the same time he covers up the continuous violation of the UN principles and Security Council resolutions on the Turkish occupation and easily sides--an easy way to avoid responsibilities--with a procedure such as the useless dialogue which is supported by various great powers of international political deceit at the expense of the Cypriot people.

De Cuellar's prospects for a just and lasting solution of our problem are but a bad sign and it would have been a definite danger for our people if it all depended on him. In this case, however, in this game of deceiving international public opinion, de Cuellar is not alone. There is also another side, the DIKO-AKEL alliance partners who, with their preferences, their philosophy and their toleration and submissiveness to Ankara, provide all sorts of arguments not only to de Cuellar but also to extremely shrewd /politicians/ who up until now have deceived many fighting people by closing their eyes to the Turkish occupation. These partners of the alliance are the Achilles heel of the international conspiracy of total silence about the Cypriot problem--a silence which Papandreou succeeded in breaking and changing by exposing those who are accountable for their responsibilities. This side /of the DIKO-AKEL alliance partners/ represents a national danger. If the people, recognizing its moderate but effective size, can neutralize it, then the logic of justice and truth as well as of principles will start operating effectively in favor of Cyprus.



## WAR, PEACE IMPASSES SEEN REACHED BY GREECE, CYPRUS

[Nicosia I SIMERINI in Greek 1 Dec 82 p 17]

[Editorial] One cannot wage war and also ignore the rules of war. He will be destroyed. Nor can one negotiate peace while disregarding the rules of peace. He will face vicissitudes. Perhaps the zero hour has arrived for Cypriot Hellenism and its leadership to make a decision. What do they want? War or peace? Today it has both--war and peace. It has, that is, confusion and an incoherent policy.

The decision is not easy. But there are no easy decisions when national issues are involved; when the problem concerns the survival of a whole people. On the other hand, it is for this reason that the leaders are called "leaders" because they are able to arrive at decisions on difficult issues; to create history; and to be recorded by history. It is obvious that the Cypriot leadership cannot decide whether it wants war or peace. It has two extenuating circumstances, however. First, it is small and weak. Second, the decision rests with Athens and not Nicosia. Cyprus cannot wage a war with Turkey. Only Greece can wage war. Therefore, Greece will decide if, when and how such war will be waged.

It is not easy for Greece to make war in order to save Cyprus. It is rather impossible. But Greece has its own problem: the Aegean and the constant Turkish threats. War will be imposed on Greece and the big question is: what will happen then? It is not enough to wage war just for solving the Aegean and Cyprus issues. Such a war must also be victorious. Both Greece and Cyprus are sincere in supporting a peaceful solution... But Greece is preparing for war also. What about Cyprus?

For us the problem is dramatic in its simplicity. But to be solved according to our wishes Greece must fight Turkey and must win the war moreover. If it does not fight or if it does win the war [sic] the war what will happen to Cyprus? This is the cross the Cypriot leadership bears, a leadership which has the responsibility of saving the country from falling under Turkish control. This is the great nightmarish question. The superficial slogans, the loud-mouthing and the incessant generalizations are of no benefit at all.

Neither the Aegean problem nor the Cyprus issue are faring well. We are not faring well domestically or abroad. The Turks have territorial claims against



Greece. They know that they cannot realize them peacefully. No Greek here or in the mainland can give the Turks any territory through negotiations. Therefore, Turkey will attempt to seize it as it did in 1974.

In essence, Greece and Cyprus are in a state of war with Turkey on two fronts: Cyprus which is being occupied by Turkey and the Aegean which is being threatened. The present state of "peace-war" must end sometime. To end it through war there must be great leaders and great decisions. To end it peacefully there must be greater leaders for greater decisions! Such decisions do not appear on the horizon today. There are only internal impasses--in Cyprus and Greece...

These dreadful impasses should at least restrain the leaders of the /DIKO-AKEL/ alliance. The recent drama of Lebanon should alert them. The determination of the great powers and the indifference of the "others" should at least confound them. The anti-Westernism and anti-Americanism should have subsided. The military and civilian weakness of this unfortunate country should distress them everyday.

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CSO: 3521/117

## SPY ACCUSATIONS DROPPED

Nicosia TA NEA in Greek 26 Nov 82 p 3

[Excerpts] The case of espionage against the Republic of Cyprus turned out to be a soap bubble after all.

The spark which set off the suspicions of espionage was given by the false testimony of 26-year old Turkish Cypriot defector, Giousouf Resvan, a laborer from Syngrasis and presently at Stavrokannou. He was frightened when he was called by police to be questioned regarding a motorcycle he had rented and not returned on time. He then said that he was engaged in spying with seven other Turks.

For this false testimony, Resvan was sentenced to three months imprisonment by the District Court of Nicosia, after pleading guilty to spreading false information.

According to the indictment, the defendant, on 9 November, gave Inspector P. Koukoulis and Sergeant P. Kondos a false statement regarding the alleged crime according to which, between 29 October 1982 and 8 November 1982, in cooperation with seven other Turks, he conducted espionage operations against the National Guard in favor the of Turkish troops.

"On 16 November, after a police investigation of certain facts which appeared to be false, he was again interrogated and he gave a new voluntary statement in which he said that what he had stated in his first testimony was lies and he told them because he had not returned the motorcycle on time and because he had carried three passengers."

District Court Judge, Mr. Petros Laoutas, in his sentencing statement, emphasized the following:

"There could have been serious and unforeseen consequences had consideration been taken into account regarding the situation in Cyprus.

"The defendant's action was totally irresponsible and the motive unjustified.

"Those who defect should not exploit the protection given them by the Cypriot State.

"I must also state that the investigative authorities must, in the future, be more careful when they investigate cases of this nature."

## STRUGGLE ON LEFT AMONG KAJANOJA, SORSA, KIVISTO VIEWED

Helsinki UUSI SUOMI in Finnish 6 Nov 82 pp 16-17

[Article by Matti Vehvilainen: "Kivisto Victorious Over Kajanoja?"]

[Text] The struggle on the Left:

This decade will become the period in which duplicity reigned. For what else could it be, for instance, in respect to the Social Democratic Party?

The struggle, thus far concealed from publicity, within the leadership of the SDP will erupt into the open no later than after the election. And then the name of Pirkko Tyolajarvi, against whom the Sorsa supporters are exerting intense pressure, will come to the fore.

On the other hand, Finnish CP chairman Jouko Kajanoja appears to have lost the arm-twisting contest with SKDL [Finnish People's Democratic League] chairman Kalevi Kivisto within the SKDL-Finnish CP partnership.

The socialists in the SKDL will continue to step over the Finnish CP, which will be beneficial to the social democrats and promote disintegration among the People's Democrats.

At some time during the late 1960's a series of accounts of what life would be like during the 1980's appearing in a British newspaper was published in a Finnish newspaper.

It was predicted therein that the 1980's would be a period in which mediocrity would reign supreme. In the 1980's the word "elite" would be synonymous with "mediocrity" and "mediocre" synonymous with "dependable." For what else can it be, for instance, in respect to the SDP [Finnish Social Democratic Party] where the main consideration is that persons whom Sorsa can depend on be placed in positions of party leadership and in the district organizations, who could very well be merely mediocre registrars and holders of master's degrees.

The SKDL [Finnish People's Democratic League]-Finnish CP partnership is a leftist party in which at least honest struggle is still employed.

During the 1980's it will be the management people who will control the thinking even of the leftist politicians. In 1960 the labor force in Finland consisted of 42 percent workers and 21 percent management persons.

In 1985 one half of the work force in Finland will consist of management people and 39 percent will be workers.

In addition, the number of persons engaged in agriculture has decreased throughout the period. Thus it was possible for Eero Silvasti, a fan of Haavikko, to say in his book "Jaatynyt Unelma" ["The Frozen Dream"], "The supremacy of the plow gives way to the pencil and the office."

Silvasti refers also to the center leftist "great social democracy" promoted by Max Jakobson.

In analyzing the third republic that may come into being during Koivisto's tenure, Silvasti asks:

"Could it be that the enormous support attained by Mauno Koivisto is also the kiss of death to the historical concept of the working class movement in its fullest traditional sense?"

But let us shift from philosophy to the current situation.

#### Trade Union Movement Will Yet Take Revenge on Sorsa

The devaluation package authored by Prime Minister Sorsa, President Mauno Koivisto, and Education Minister Kalevi Kivisto was a complete surprise to the trade union movement, particularly to the communist wing in it.

The belief still prevails that there will be unrest in the labor market. It is being said that "it would be condemnable blindness unless the SAK [Suomen Ammattiyhdistysten Keskusliitto--Federation of Trade Unions in Finland] does something."

Unrest will be formented in the SAK. The pressure is said to be "awesome", the trade union movement has been humiliated.

The trade union movement will yet take revenge on Sorsa, it is said.

In fact, Sorsa's statement of about a month ago to ILTALEHTI newspaper is typical:

"What segment of society do you rely on mostly in seeking to rebuild this society?"

"By force fo necessity on the various makers of economic decisions."

A large portion of the trade union movement favors an entirely different approach to the management of economic policy than that of the Social Democratic Party. The Finnish CP minority is happy that fighting is going

on. Otherwise, it appears also that there is unrest in the places of employment, not only through the efforts of the communist minority, but also through the efforts of the metal workers' union controlled by the Social Democrats.

The entire package of the devaluation decision is described as "an awful confusion" and "huge shock."

At this time there is, from the viewpoint of the places of employment, a respite of a few weeks before clarification is available on the compensations "promised" prior to Independence Day. Should the workers not be satisfied with them, they will then be "completely uncontrollable."

The state income policy proposal resolves many things, because the entire future depends on that, say those that are "causing the unrest" at the places of employment.

The Youth Union of the Social Democratic Party has condemned the solutions proposed by the Sorsa administration at the end of October 1982 which, according to the Social Democratic youth "have changed Finland's economic policy toward favoring the industrial interests to an even greater degree."

According to the Youth Union it is the ordinary wage earners who will be made to pay for the consequences. The Youth Unionists are unable "to understand that the constant whining of the export industry over the years has led to a situation in which the state annually automatically shoves billions of markkas to it without any completely adequate backing."

Which goes to show that Sorsa has pressures of his own to contend with.

RAKENTAJA, organ of the communist-led Construction Workers Union, in publishing the viewpoint of that union says, "the devaluation of the Finnish markka, and the economic and taxation policy decision associated with it, mean an abrupt turnabout in economic and taxation policy in a direction opposite to that which the trade union movement has set as its goal. The prototype for this turnabout can be found in the economic and social policies of Ronald Reagan and Marghareta Thatcher [sic]."

Although RAKENTAJA does not spell the British prime minister's name correctly, the hint to Sorsa is clear.

#### Election To Rescue SDP From its Dissensions

Only a rare Social Democrat will admit that the Social Democratic Party is presently experiencing a disintegration.

But the SDP that now feels itself to be supreme--now that the actual supremacy in the person of Urho Kalevi Kekkonen is gone--differs from other parties in an extraordinary way. You see, the SDP is able, in some miraculous way, to turn its internal dissensions to the benefit of the party.



But the final limits has now been reached. Perhaps the parliamentary election may yet rescue the party from the crippling dissensions that it thus far has managed to keep hidden. Even the highly placed critics within the party now remain quiet.

The party, or at least a portion of the membership, is hoping for a simple majority in parliament together with the Conservative Party. At the same time a peculiar foreign policy blindness has become entrenched in the party.

This may arise from the fact that since Finland has a president who has a guarantor in the person of Sorsa, then it is worthwhile to see whose domestic policy slant will prevail, since not even a trace of risk exists in the foreign policy.

Because the matter of the "greater social democracy" has already been brought up in this account, it is worthwhile to recall what one lackey of the SDP leadership had to say under the penname "One from Siltasaari" in the party organ on 19 January 1980 under the heading "Matters Under Control".

That writer stated that "there is nothing that threatens the central Social Democrat positions that govern the party" and that "the fact of the matter now is that the leftists in the party have become dispersed in various leadership jobs on the payrolls of cities, the state, and other organizations after having attained the moderation of middle age."

The same writer says also: "It must be stated also that the nature of the SDP does not condone brawls or brawlers, but prefers friendly people who can live in harmony after settling their differences."

The condition of the Sorsa supporters among the Social Democrats cannot be described in a more fitting way than that.

If the "One from Siltasaari" meant that the leftist Social Democrat Erkki Tuomioja had become "dispersed" into the municipal government of Helsinki, then he is not entirely correct.

For instance, it has been the "Tuomioja factionists" that have opposed the great fusion in the E movement that has enjoyed the blessing of the SDP leaders. Together with Tuomioja, member of parliament Tarja Halonen, a former attorney for the Federation of Trade Unions, has been in the forefront to oppose the fusion.

It is being said that this opposition to the fusion, which at the same time is opposition to the party leadership, is only the beginning.

In regard to the talk about brawlers by the "One from Siltasaari", there is the suspicion that he had in mind SDP second deputy Chairman Pirkko Tyolajarvi!

## Sorsa Against Tyolajarvi

Pirko Tyolajarvi is rated as a "brawler" by the governing center of the SDP. In fact, Tyolajarvi is in the opposition to Sorsa.

Tyolajarvi herself quite understandably wishes to avoid publicity at this time, at least as far as the resolving of the internal situation in the SDP is concerned. It appears that whenever the SDP says anything about its internal situation and about the party policy problems, that fact always presents a threat to someone, which of course in turn presents a threat to the one who says it.

After the parliamentary election of 1979 the SDP experienced a "women to the fore" movement. By the time of the 1981 party congress in Pori, this movement had become bold enough to place Marianne Laxen in the race for party secretary against Erkki Liikanen, who had been publicly endorsed by Sorsa.

Women are used to good advantage by the party leadership in the combating of party leftists. A case in point in point took place in a party internal election prior to the Port meeting in which Kaarina Suonio displaced Erkki Tuomioja.

The SDP party executive committee contains two women: Tyolajarvi and Maijaliisa Nieminen from Hameenlinna.

Jan-Magnus Jansson, the most highly rated political augur in Finland, stated in early 1982 that if a Social Democrat becomes president, then as the power of the SDP increases it will also become more rightist in nature.

The Sorsa supporters suffered a defeat in February 1982 in the election of the chairman for the foreign affairs committee in parliament. The position was under contest by Tyolajarvi and Liikanen, who had Sorsa's support, but Tyolajarvi won. The critics are saying also that the SDP is suffering at this time from a leader crisis.

It is being mentioned also that there could have been differences of view between President Koivisto and Sorsa.

### What Is Sorsa Doing to Tyolajarvi?

But most unexpected of all appear to be the relations between Sorsa and Tyolajarvi.

Admittedly, the Social Democrat inner circles are saying also that "divergent quarters" wish to poison the relations and political rapprochement between Sorsa and Tyolajarvi.

But that Sorsa is no longer vulnerable. Nor can the party power relationships any longer be gaged as in the past because the party leadership governs the field by means of the party support funds which it controls.

## Jouko Has Been a Student of Merit

And then, how about the other leftist party consisting of the SKDL and the Finnish CP? During the political scuffles in connection with the devaluation and with the composition of the cabinet, Finnish CP Chairman Jouko Kajanoja, who is also labor minister, played an ambivalent role. At first the Finnish CP and the SKDL jointly approved the so-called "Sunday package."

But Kajanoja was caused to trip, and this took place through the effort of the prime minister. Kajanoja's friends said that because he is green and inexperienced he stumbled again.

But all in all, Kajanoja's attempt provided a good show of effort.

In regard to the contest between Kajanoja and SKDL Chairman Kalevi Kivisto, Education Minister, for the position of actual leader of the people's democratic movement, arm twisting is still going on.

An actual resolution in this contest has been awaited and predicted for some time, but no end is yet in sight.

Otherwise, we have witnessed the SKDL socialists stepping over the Finnish CP, which they will be expected to continue into the future.

Kalevi Kivisto has strong support. Arvo Aalto is in the sidelines, but only seemingly, because he wields more weight throughout the People's Democratic Movement than any other person.

But oddly enough, Aalto has supported Kivisto. The supreme hierarchy of Finnish communism and the people's democratic movement consists of the names of Arvo Aalto, Kalevi Kivisto, and Jorma Hentila.

The SKDL hegemony has therefore increased. After it was agreed that the present administration would continue in office until the election, matters were agreed upon in a quite restricted sphere.

The minority in the Finnish CP is not a part of that sphere, and it has remained entirely in the sidelines during the recent dramatic scenarios.

In respect to personalities, knowledgeable sources say that Jouko Kajanoja's lifestyle has changed, formally and in fact.

The real authority is, in fact, wielded by Kalevi Kivisto, that great favorite of the bourgeoisie.

It appears that Kivisto's ability to collaborate with both Koivisto and with Sorsa produces results that benefit only the Social Democrats and results in nothing but hindrance and disintegration for the People's Democrats.

Kivisto has a background group. And when Kajanoja is obstinate and makes errors, Kivisto is measuring different ground.

Kajanoja on the other hand receives his background support from "the great gray eminence" of Arvo Aalto.

Jouko has been Arvo's student, just as Paavo Vayrynen was Urho Kekkonen's student.

Confused, mixed up, are the affairs of the communists and of the People's Democrats.

But that is all the same. Both of the leftist parties will be preserved until the election prior to Christmas. Mauno will see to that.

5955

CSO: 3617/31

## KOIVISTO SPEAKS IN FAVOR OF CONTINUED BROAD BASE CABINET

Helsinki UUSI SUOMI in Finnish 9 Nov 82 p 32

[Article: "'Consensus Policy Needed in Finland'; Koivisto Does Not Believe in Cabinet Elections"]

[Text] Finland's President Mauno Koivisto does not believe that, in a country such as Finland, the results of a parliamentary election can be used directly as a basis for the formation of a new cabinet.

The numerical majority rules have led, according to the president, to a situation in which a broad consensus policy must perforce be observed in Finland.

In a Swedish-language weekly opinion type of television program "Veckans Puls" on the evening of 8 November President Koivisto said that there are no clear alternatives of choice in Finnish politics.

According to the president this in practice means that, regardless of election results, many parties are needed in a majority cabinet. Because of the numerical majority rules, a mere simple majority does not suffice for the formation of a strong cabinet.

#### Decrease of Presidential Powers

President Koivisto feels that the Finnish numerical majority requirement does have certain advantages. It necessarily leads to a very broadly-based cabinet and thus to the attainment of a very broad consensus policy.

In respect to presidential powers, Koivisto pointed out that the Finnish people have already attained sufficient maturity to be able to stress the parliamentary aspects of Finland's constitution at the expense of the president's authority.

The president made known also that he does intend to oppose "a balanced change" for the limiting of presidential powers.

"When certain conditions prevail" it ought to be possible, in his opinion, to alter the president's right to dissolve parliament



President Koivisto noted also that the line of Finland's foreign policy should not be defined in such a way that it cannot withstand discussion --within the framework of the line.

The president pointed out that all the possible alternatives that affect foreign policy must be considered in the making of decisions, unless the urgency of the matter otherwise demands.

5955

CSO: 3617/31

## CP MODERATE ORGAN REPORTS ON EXCHANGE OF MEMBERSHIP CARDS

Helsinki KANSAN UUTISET in Finnish 9 Nov 82 p 9

[Article: "Exchange of Membership Cards Strengthens the Finnish CP"]

[Text] Preparations have begun in the Finnish CP district and basic organizations for the exchange of party membership cards which is to be carried out during the period 1 January-31 March 1983 according to a decision by the Central Committee.

The exchanging of membership cards has always been considered in Communist Parties to be an important political and organizational task.

"The forthcoming updating of membership affairs in the Finnish CP is a material part of the reconstruction and strengthening of the party," says Finnish CP Organizational Secretary Risto Koskinen.

Koskinen stresses the fact that this does not involve any kind of a "party purge."

"This is only the fifth exchange of membership cards in the Finnish CP after World War II. Ten years have already elapsed since the last exchange of cards. During a period of that duration notable political changes have taken place, and for many, even personal changes that could have affected their membership relations.

"The making of contact with those who have withdrawn into the sidelines, heeding the call into united election campaigning, and the updating of membership information, when carried out in the proper spirit, spell out the growth of faith in the party. The party needs all of its members, even those who during the disintegration belonged in their basic and district organizations to the so-called "other side" of the camp. That matter must not anywhere be allowed to become an obstacle in the management of membership affairs," said Koskinen.

According to the time schedule established for the exchange of cards, the payment of dues must be made current by the end of 1982. Every member must complete the member information form required for the membership register.

Should difficulty be encountered in the observation of the schedule, the member may obtain an extension of time by contacting his basic or district organization.

In the manner of all the other people's democratic organizations, trade unions, and the like, the Finnish CP will shift to a computerized registry system of members and organizations in order to enable the maintaining of current membership information for the entire party.

"The shift to a computerized registry system need not mean the adopting of a system of membership management through the mails. Dues payments can still be made in the old way," according to Koskinen.

Actually, the postal membership management system has been in use for quite some time in some of the party departments. The management of membership affairs has been better than the average in those departments, according to Koskinen. Member contacts have not suffered--they have merely assumed new forms.

Serious regression has occurred in the course of the membership figures, according to Koskinen. At the 1950 card exchange the membership dropped by 16.6 percent, or 8,786 members; at the 1958 exchange by 16.4 percent, or 7,712 members; at the 1964 exchange by 9.3 percent, or 4,837 members; and at the 1973 exchange by 21.8 percent, or 10,443 members.

"Between the exchanges the numbers of members naturally always increased by the addition of new members. Against that there was the fact that the information concerning lapses of membership generally did not reach the central office until there was an exchange of cards.

"Only the improvement of the transmission of information will correct that situation. The membership secretaries will now occupy key positions, and it is recommended that each department elects one. A more responsible attitude than heretofore is needed in many areas in the management of membership affairs," says Koskinen. "The sizeable reduction in the amount of the membership dues as of 1 January 1983 that was approved at the last Central Committee meeting may also ease the membership recruitment," Koskinen feels.

"The present situation imposes quite heavy responsibilities upon us. Forthcoming is an important parliamentary election, the test resolutions, and many other tasks. Nonetheless, we must not delay the putting in order of the membership affairs. A certain kind of tension still lingers within the Finnish CP, but hardly could any of us even imagine that the party could suddenly reintegrate without some kind of difficulty.

The most important thing now is that we all work constructively and without reservation at all party levels while observing the decisions that have been made, says Koskinen.

5955

CSO: 3617/31

## PSF-PCF MUNICIPAL ELECTION OBJECTIVES EXAMINED

Paris EST & OUEST in French Oct 82 pp 4-8

[Article by Claude Harmel; passages enclosed in slantlines printed in boldface]

[Text] In June 1981, amid the euphoria of victory, a socialist party activist (not one of the lesser ones, for he had just been called on to represent a major trade union organization in the elite group of the Elysee) said he was sure the communists would remain "quiet" at least until the 1983 municipal elections, because the socialists would at that time hold the fate of the Communist Party in their hands. If they refused to enter into an alliance with the socialists, the electoral disasters of the PCF in May and June 1981 would be repeated at the municipal level. The communists therefore had every reason to be accommodating.

The situation has changed considerably since that time. The socialists are no longer in the same position they were in 18 months ago. The wave that swept them into power has long since subsided, and the reflux would appear to have set in. The socialists are nonetheless not admitting defeat, and immediately after the 1982 cantonal elections (the results of which, one might say, sounded the alarm) they proposed to the communists a plan of action for the 1983 municipal elections that still reflected the "imperialist" state of mind of June 1981. Rene Piquet, a member of the PCF Political Bureau, was able on 3 June 1982 to point to "the electoral gluttony" of the Socialist Party.<sup>1</sup>

What is left today of that socialist drive for power, one of whose objectives (proclaimed long ago by Mitterrand) was to steal several million voters definitively away from the Communist Party?

#### Points of Agreement

Negotiations between the two parties (the Left Radicals have been kept by their "big" allies in a marginal status that borders on contempt) were initiated on 5 May. To a superficial observer, the positions of the two parties at the outset might have appeared very close to each other and were, moreover, in accordance with the policy line that had always been professed by both parties.

Communists and socialists alike had always proclaimed themselves to be supporters of proportional representation and accordingly said they were in agreement that an electoral reform should be adopted by parliament.

Both parties had vied with each other in proclaiming /their united will/ and recognizing the necessity of going before the voters as a unified force. Both parties accordingly declared themselves to be very favorable to Leftist Union slates of candidates in most (and if possible all) of the communes.

This agreement was only a facade, however, and served to hide some serious differences.

### Two Contradictory Principles

First of all, a contradiction existed between the two great principles which the two parties had postulated at the outset: on the one hand proportional representation, and on the other the necessity for unity. This contradiction was even more apparent in the position of the PCF than in that of the PS, for the communists showed themselves determined to reject any exception to the "rule of unity."

This contradiction was so obvious that in his speech to the congress of communist and republican elected officials (15-16 May 1982), Georges Marchais anticipated the objection.

The communists, he said, were proposing--in conformity with the positions they had consistently taken--"to facilitate complete and absolute respect for universal suffrage by instituting proportional representation. Under proportional representation," he insisted, "the representation of both parties is not dependent on prior bargaining and doses of politics, but on the free will of the voters themselves; it is the voters who decide."

But if clarity, justice and respect for pluralities require proportional representation--if we must avoid "prior bargaining" and "doses of politics" in order for the voters truly to be able to make a choice--then why should we want to have single slates of candidates for the Left starting with the first round of voting, slates that could not be formed without "prior bargaining" and "doses of politics"? In other words, if we truly want to allow proportional representation to function freely a unified slate should not be presented to the voters. Moreover, one of the objects of proportional representation is to prevent the sort of scheming and sacrifice of principles that is deemed to be immoral. Marchais himself has expressed similar sentiments.

"There is no contradiction between our proposal for unity and our position in favor of proportional representation," Marchais insisted. Despite its peremptory tone, however, his statement in no way removed the objection, and neither did the line of "reasoning" that follows:

"Proportional representation makes it possible to remove all the impediments that currently prevent each political organization, each current of thought, from presenting itself with complete independence, with its own originality, its own orientation.... Everyone is of course then free to determine his own position in accordance with the analysis he makes of the specific circumstances of each election."



In other words, the basic rule of clarity, justice and respect for pluralities will admit of exceptions and changes whenever a party--by running its own ticket in an election, so that the voters can freely and clearly express their preferences--would run the risk of obtaining less favorable results.

#### Don't Separate What 1977 United

To escape from this contradiction (verbally, at least), the communists proposed that an outgoing municipal administration (at least in those municipalities governed since 1977 by a Leftist Union administration) be allowed to run again as a single slate, if possible without any change of individuals but in any case without any change in the numerical relationship of the components. In particular, the outgoing mayor should be required to head the new ticket.

According to Marchais, it is a position based on good sense, for it would be absurd for the outgoing team to face the election campaign in a state of disunity. "This team," he said, "which had probably been welded together gradually as the years passed in the course of their joint effort, would in that case be broken up and dispersed in anticipation of the election. The mayor," he continued, "would accordingly head one ticket, one of his deputies a second ticket, another a third, and so on. 'It was due to my efforts that such and such was accomplished,' one candidate would then say. 'No, it was due to my efforts,' another would respond. 'My platform is the best!' says one. 'No, mine is!' says another. Everyone would be pulling in different directions during the election campaign, only to have all this disputation (which would, moreover, be contrived, because whatever was accomplished was accomplished jointly) end ultimately between the first and second rounds in reconciliation and a proposal to renominate the outgoing mayoralty team en bloc. How could the voters then take these elected officials seriously or put their trust in them?"

These lines by Marchais reflect a good deal of vivacity; he has capable editors. The humor present in his words, however, is there only for the purpose of making their sophistry more palatable. It is not true that the "socialist-communist" municipal administrative teams were "welded together" in the course of the years. The rivalries and conflicts have come to light from time to time, and even where they have not you can be sure that in many cases they nonetheless do exist. The communists have not ceased to be an obstinate bloc--a faction that has operated as one man in all circumstances and that has never regarded its socialist colleagues as anything more than fellow travelers who are more or less easy to manipulate. Nowhere has fusion taken place, for a great variety of reasons, but the communists are basically opposed to it under any and all circumstances because it would remove their elected officials from party control. In accordance with the spirit of proportional representation, therefore, each candidate should run in the first round under his own party label.<sup>2</sup>

If the municipal administrative "team" were indeed as "welded together" as Marchais alleges, there would be no objection to having each official conduct his own campaign in his own behalf; he would be able to avoid an unfair and nasty polemic vis-a-vis his former (and perhaps future) colleagues.

As for being able to forget during the second round what was said in the campaign for the first round, the voters are used to this sort of thing and it has long since ceased to shock them. It is in accordance with the rules of the game.

The real reason for the communist position, however, is something quite different. The ratio between the PCF and PS electoral forces has changed since 1977, usually to the disadvantage of the communists. Under these circumstances the communists prefer to maintain the status quo wherever the Left is in power, for otherwise it is quite likely that they will witness a decline in the ranks of their councilmen and mayors.

So much the worse, then, for the sacrosanct principle of proportional representation. The PCF is very careful, moreover, not to demand complete proportional representation; from the very outset of debate on the subject it has been content to call for an electoral system "based on proportional representation."

### Ideology and Realism

The socialists, too, have cast these sacrosanct principles overboard, even though according them a measure of formal recognition. Since the beginning of the century, proportional representation has remained one of their dogmas; they even used to say that it should be /total/. It was, in their view, the solution to all problems of political power.

This is not the place to establish that the aforementioned "dogma" is the expression (may the great spirit of Jaures forgive me!) of a rudimentary political philosophy, of the belief in a unity which is in one sense a spontaneous, natural and organic unity of the people, or that the persistence of this dogma reflects an inability to learn--at the ideological level--the lessons of experience, for it is obvious that proportional representation condemned the Weimar Republic to impotence and thereby paved the way for Hitler.

Nevertheless, recognizing the duplicity--so much criticized--of the moribund SFIO [French Section of the Workers International (French Socialist Party)], which upheld theoretical postulates that no longer bore any relationship to its political practice, the group we may call the Epinay socialists (to distinguish them from their predecessors who bore the label "socialist") were able to invoke the principle of "realism" and the need for ensuring the stability and continuity of government as justification for introducing substantive corrections into the practice of proportional representation.

We shall limit ourselves to pointing out the paradoxical aspects of the socialist proposals: 1) /a two-round election process/, whereas by its very nature proportional representation should permit the direct expression of all opinions in their "pure" state (if I may use the term) without these alliances and negotiations of the second round which the advocates of proportional representation have always denounced with equal ardor and distaste; 2) /a substantial reward to the majority/, and 3) /the systematic elimination of minority opinions that are "excessively minority."/

These provisions are perfectly justified (and the author of this article unhesitatingly accords them his approval, except for a few details), but to continue to speak of proportional representation under these conditions is strange to say the least. Let us not use overly fancy words in speaking of intellectual dishonesty, but the men of this government have too often reiterated the allegation that what I shall call "civic incredulity" has its source in the contrast between what the politicians (especially when they are in the opposition) tell the voters and what they do when they come to power for us not at least to wonder why the socialists are not taking this opportunity to give us an example of genuine civic spirit. They should publicly express contrition, undertake a revision of party doctrine, and in effect recognize once and for all that total proportional representation is a utopian concept whose implementation would lead to political disorders and paralyze the government's will to act.

We would quickly and unhesitatingly agree, however, that in proposing their electoral reform they have only the national interest in mind.

#### Two Objectives

Make no doubt about it: they were also solicitous of the interests of their party, but that should not arouse our indignation except when party interests are too patently in conflict with the national interest.

The socialists had two objectives: first, to keep themselves in power, which they now hold (and it is not certain that the former system--which was so favorable to the majority current of opinion, with all the seats going to the majority slate--would have been advantageous to them), for we are a long way from June 1981 and the electoral "reflux" has undeniably set in (although perhaps not as strongly as some say); and second, to continue to roll back--for their own benefit--the electoral influence of the PCF. The second objective is at least as important as the first.

It may be--indeed it is certain--that not everyone within the PS was in agreement as to the methods to use in order to obtain a further thinning of the ranks of the PCF electorate. Not everyone believed to the same degree in the necessity for playing the game of unity (one might almost say the "comedy of unity") with the communists. In any event, over and above these differences as to methods everyone (or almost everyone) hoped to improve the positions of the PS at the municipal level--something that could be accomplished only by weakening the positions of the PCF.

The initial socialist effort in this direction failed. The idea was to arrange matters so that there would be only two slates of candidates in the second round; in the present situation, the result in most cases (but in any event, wherever there was a socialist municipal administration and also in certain predominantly communist municipalities) would have been a two-way contest between an opposition slate and a socialist slate.

In forming the alliances for the second round, the communists would accordingly have been obliged to submit to the will of the PS.

The communists have forced the socialists to fall back: slates that in the first round receive more than 10 percent of the vote will be able to remain on the ballot in the second round. The PCF will accordingly, in certain cases, have the possibility of keeping its slate of candidates intact if the socialists do not agree to the formation of a unified slate on its terms.

One does not easily divest oneself of an "ally" as tenacious as the PCF. The communists have always sought to catch the socialists in the trap of "united action." For reasons it would take too long to analyze, they were caught--in 1981--in the very trap they themselves had set. Under the new system the communists will again find an effective means to bring pressure on the socialists, who because of their success in 1981 believed themselves able to call the shots.

#### Joint Lists

A second "match" remains to be played: the formation (or not) of the joint slates of candidates. We have seen the communist position: it is not devoid of logic.

The position of the Socialist Party is quite different.

Its executive bureau made it public on 13 May 1982.

The PS declared itself in favor of "the formation of unity slates beginning with the first round." This statement appeared to reflect a very pro-unity attitude, but it was immediately hedged with considerations that notably limited its significance.

Specifically, it was stated that in forming the unity slates, consideration would be given to "the local situation, the overall performance of the commune governments, and the results of the most recent elections"--in other words (it was not said, but it was clear), the 1981 presidential election and legislative elections. "When an agreement cannot be reached on these bases," the statement continued, "there will be separate slates in the first round, with the understanding that in any event--and in all localities--unity slates will be formed in the second round on the basis of the results of the first round." (L'HUMANITE, 14 May 1982)

The socialists, moreover, made no secret of their intentions. "We say that consideration must be given to the overall political context, to the local administrative performance over the past 5 years, and to the results of the 1981 legislative elections and the 1982 cantonal elections," declared Marcel Debarge, PS national secretary, on 20 May 1982. "The ratio of forces is favorable to the socialists," he explained; "we should take advantage of it." (LE QUOTIDIEN DE PARIS, 20 May 1982)

His statement was commendable for its frankness and reflected a great deal of confidence. The socialists certainly did not expect the communists readily to agree that the outgoing municipal administrative teams should be revised



to the detriment of the PCF and the benefit of the PS, but they counted on the effect of their reform plan: in danger of elimination from the second round, the communists would presumably prove to be more accommodating, and Marcel Debarge was able to say optimistically that "separate slates (in the first round) would be the exception. In 1977," he said, "I believe there were 10 exceptions. I do not anticipate many more than that for 1983." (LE QUOTIDIEN DE PARIS, 20 May 1981)

It may well be that there will not be many more separate slates than there were in 1977. At the time of the negotiations between the two parties, however, the socialists will no longer be in the best position to brandish the threat of a separate slate, for there could be more than two slates in the second round.

The communists have won the first heat and are well placed to win the second.

#### FOOTNOTES

1. It was at the conclusion of a meeting of the officials of 13 federations of the Southwest in early June 1982 that Rene Piquet denounced this "electoral gluttony," which he said had been manifested "here and there in the case of municipalities led by communists as well as those led by the Left Radicals."<sup>a</sup>

He supplied some examples:

"I have in mind...the Southwest region, and more specifically the Midi-Pyrenees (but I could also cite the Bretagne, Bourgogne, and others) where the Socialist Party does not suffer, vis-a-vis the Left, from underrepresentation. In Midi-Pyrenees, 16 of the 22 deputies are socialists; in the case of Haute-Garonne it is six deputies out of six, four senators out of four, and 39 general councillors out of 50--and I am not counting the independent socialists! Approximately 400 mayors out of 600 are socialists.

"The communists," he continued, "had only one elected official on the General Council; a socialist replaced him. Proportional representation would have given them eight elected officials...."

He concluded with the following words, in which a threat can be discerned:

"It will soon be 30 years during which period the 70,000 communist voters of Toulouse have voted without fail for the socialists in the second round. Don't be surprised, therefore, that they find it hard to understand this desire--proclaimed from time to time by the Socialist Party--to challenge the communists and radicals for the few municipalities that they control." (L'HUMANITE, 4 June 1982)

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- a. Piquet was so inexperienced with his language that one might believe--interpreting his words literally--that he found it only natural that the PS should take aim at the MRG municipalities.



2. According to the tables constructed by M. A. Barrillon in the 3 August 1982 issue of LE MONDE, of a total of 18 partial cantonal elections held between 28 June 1981 and 18 July 1982 the total of votes received by the PS and PCF went from 47.8 percent at the most recent comparable elections (1976-1979 or even 1982) to 47.6 percent--that is to say, it remained stable--but the socialist vote total rose from 30.1 percent to 33.06 percent while that of the PCF fell from 17.7 percent to 14.6 percent.

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## AEROSPATIALE MISSILE BRANCH CONSIDERS CURRENT, FUTURE PRODUCTION

Paris LE NOUVEL ECONOMISTE in French 1 Nov 82 pp 56-57

[Article by Philippe Gazier: "A Missile Every 3 Minutes"]

[Text] At Le Bourget, the Exocet is a big success. Bolstered by its campaign in the Falklands, the missile is the star of the exhibition of materiel for naval forces that France organizes every two years. Its manufacturer, the tactical missile division of Aerospatiale, is showing the different models (three sea-to-sea and one air-to-sea) currently in production or under development.

At Bourges, the Exocet production rate, "up slightly," has now reached 20 missiles per month and will go to 25 per month at the beginning of 1983. But this increase had been planned well before the Falklands affair. Since the English-Argentine conflict a 27th country has placed an order (Kuwait). The "Falklands' effect" will not really be felt for 2 years. You have to count on an average delay of 2 years before an order for a tactical missile is duly signed, after all the green lights have been given by the two countries in question, the buyer and seller.

Aerospatiale's specialized division will have no difficulty waiting 2 years. Its production plan is already set for at least 4 years. On the books: almost 16 billion 1982 francs (the vast majority of contracts are concluded in francs and accompanied by a substantial down payment). The Exocet family is only one of the areas covered by this division, which has become the world's number one missile manufacturer: over 550,000 missiles, from the modest remote controlled antitank (SS10, then SS11) to the large new generation air-to-ground or ground-to-air missile, as well as the Pluton which will soon replace the Hades missile. The Bourges factory produces one missile every 3 minutes.

"It is absolutely necessary to have a diversified offering," explained Michel Allier (54, a graduate of the Polytechnical School and Naval Engineering), who has headed the division for 8 years. The industrial lifetime of a missile program is about 10 years. And Aerospatiale offers about 10 products. "Like an automobile manufacturer, the division must start manufacturing a new product each year," emphasized Allier.

At the same time Aerospatiale is more and more taking on the role of a foreman (sort of like Dassault). "In addition to the real outside sub-contracting done according to our plans, we have also sent some component and subassembly work outside."

Thus, Aerospatiale itself makes less than 20 percent of the basic version of the Exocet (MM38), barely more than British Dynamics (of the firm British Aerospace), which was given 17 percent of its production according to an industrial compensation program negotiated during a large initial order--about 400 MM 38's. This foreman's role allows the division to devote itself primarily to design, development, integration and marketing. Out of 6,400 employees, it has no fewer than 1,130 engineers and professionals, 460 more than 8 years ago. Since 1975, staff in its research department has gone from 970 to 1,500 individuals. The tactical missile division is able to self-finance about half of its development (since Aerospatiale's financial situation has recovered). Its turnover is increasing steadily; this year it will approach Fr 5.5 billion, compared to 4.29 billion in 1981. Over 70 percent of its production is exported.

The activity performed within the framework of a French-German cooperation with Messerschmitt-Bolkow-Blohm (MBB) alone accounts for a little over half of its turnover. (MBB is the probable partner for the joint antitank helicopter program reexamined in Bonn last week as part of a Euromissile economic interest group led by Marcel Morer.) This cooperation includes the Hot and Milan antitank missiles, as well as the Roland ground-to-air close defense system. A system that also proved its effectiveness in the Falklands--one single mobile Argentine battery, moved each day, shot down four Harrier planes and prevented the runway at Port Stanley from being destroyed....This should definitely convince several clients who have been keenly interested in the Roland (four contracts signed recently).

While continuing to stuff its order book, Allier's division is preparing both the "hardening" of current generations of missiles and, in the longer term, the release of a third generation.

There are, however, two concerns:

Europeans must be wary of penetration by Japanese industry if the constitution of Japan were ever modified. We know that the Miti, the Ministry of International Trade and Industry, has decided to make aerospace its "great industrial plan of the 21st century." This is, of course, "civil" aerospace, but the temptation will be great...

The inexorable increase in investments needed to bring out a new family of missiles reinforces the necessity of cooperation between European missile producers. And it is an incentive to better use the complementarity between the two French firms, Aerospatiale and Matra, which compete with each other on some markets. "A bit like what Peugeot and Citroen did," commented Allier, who definitely likes comparisons with the automobile industry.

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## GOVERNMENT PLANS INFORMAL PANEL ON SECURITY ISSUES

Stockholm DAGENS NYHETER in Swedish 25 Nov 82 p 6

[Article by Kaa Eneberg: "New Forum for Security Issues"]

[Text] The government is planning to create a new, informal forum for security issues. All institutions and departments dealing with security issues are to be invited to regular discussions at the Ministry of Foreign Affairs. The nuclear-free zone in the Nordic countries is at the top of the agenda.

"The idea is to create a new institution, but I see an urgent need for greater coordination and exchange of ideas between all those who deal with these important issues."

These are the words of Pierre Schori, undersecretary of state for foreign affairs in the Foreign Ministry. Among the things which struck him when he recently tackled his job was "how much thinking regarding security policy that occurs in the administration." He points out the work of the Defense Ministry, the National Defense Research Institute, the Institute for Foreign Policy, SIPRI [Stockholm International Peace Research Institute] and others.

"These are of course very vital issues, which we cannot afford to fritter away with a little thinking and there," he says.

## Ministerial Meeting

The nuclear-free zone will be discussed by the Nordic prime ministers at the upcoming meeting in Oslo. There is no formal agenda, but at the Swedish Foreign Ministry there is what is called "high alert."

The sensitive zone issue, which last Monday caused a hot debate in Parliament, will also be discussed by Foreign Minister Lennart Bodstrom when shortly he undertakes his first courtesy visit to Copenhagen. The date has not been set. He will also visit Iceland. The Foreign Ministry is eager to point out that Bodstrom is not going in order to "sell" the Swedish zone concept but for a general exchange of views, which is usual for every new foreign minister.

The government clearly marked in the parliamentary debate that no one wants to make it a condition that the Baltic Sea should also be a part of the zone.

The Baltic is an international waterway which cannot be included as a territory, as can Sweden, for example. Reference is made to the fact that, as Foreign Minister Lennart Bodstrom put it, "no country is sole master of the Baltic Sea." This caused the Conservatives to accuse the government of departing from previous Swedish policy.

"It is not we but the Conservatives who have departed from a previous Swedish policy. They are merely following the course they took during the election campaign of taking a different position from the other parties," Pierre Schori says.

#### Ullsten Support

It was noted in particular that former Foreign Minister Ola Ullsten found nothing to criticize in the zone concept.

Ullsten criticized the government but did not pose as an absolute condition that the Baltic Sea should be a part of the so-called thinning-out zone. This means that the Baltic would be free from the Soviet nuclear weapons which are placed there today with a range extending over Scandinavia.

The non-socialist Norwegian government has taken a negative approach to the Swedish interest in establishing a nuclear-free zone, and the Danes will probably take the same position.

However, the government is eager to point out that it has agreed to continue consultations with both the Finns, who are interested, and the Norwegians.

#### Unfortunate

Studies of the zone issue are continuing internally within the Foreign Ministry. Among other things, there is a thick volume which was produced for the Committee on Foreign Affairs in 1981. The ongoing study is to bring out all aspects of the zone issue and analyze the discussion. The government regards Leif Leifland's inaugural speech at the Academy of Military Sciences as a very unfortunate document in the zone issue. In it he detailed how the Baltic should be incorporated into the zone. The opposition leader at that time, Olof Palme, then stated that "the zone issue does not benefit from similar maximalist initiatives." Leifland is now Swedish ambassador to London.

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## NAVY STARTS RECRUITMENT OF WOMEN FOR OFFICER TRAINING

Stockholm SVENSKA DAGBLADET in Swedish 22 Nov 82 p 8

[Article by Hakan Bergstrom: "Curious About the Armed Forces"]

[Text] The Navy has now begun to recruit women for officer training. In the first year 246 and 142 women, respectively, applied to the Navy and Coast Guard (both in the Naval Service).

One of those who wants to have an officer's career in the Naval Service is Annelie Karlsson, a nurse at Stureby Hospital in Stockholm. She has applied primarily for medical care training in the Coast Artillery (for which only 15 girls have applied, so her chances are relatively good).

"I imagine that in the military I will be able to utilize more of my knowledge. Of course, I am also extremely curious about the armed forces--to me it is a strange and exciting world," she says,

Women are recruited to the Naval Service by means of colorful and cheerful brochures: "In reality, officers are not always raving madmen, but just like people in general," one of the Naval Service brochures proclaims. "In rough seas your ship may heel so that seasickness lurks," another warns.

## Leave of Absence

Annelie Karlsson has been a fully trained nurse for not quite 1 year. And nurses with completed training have (to again quote a brochure) "the opportunity of breezing through our schools and making captain at a military hospital in only 7 years."

She intends to take a leave of absence in the hopes of being accepted for the officers training.

But far from all the women who apply to the Naval Service will get in. They have to compete on equal conditions with a few thousand men, who also intend to take up a career as an officer. Approximately a few hundred of all these, both men and women, will go on to the officers academy.

"My friends have discouraged me. They say: Are you going to be a military type, crawl on the ground or stand there and yell, Amelie Karlsson says.

"But I believe we need a defense which protects our neutrality. And if there is tough discipline in the military services, I have nothing against it. Others have survived that discipline and I will, too," she says.

#### Military Training First

To begin with, the women who are selected in the first round this spring will undergo 1 year of ordinary military training. After that those who will be allowed to continue to officers training are selected. In that situation Anneli Karlsson will also get a raise. As a civilian nurse she today earns 4,600 kronor a month in basic wages. The armed forces pay better and even during the first year of training provide a wage of 5,600 kronor.

This training of women in the armed forces has gotten under way gradually, after a decision by Parliament in 1979. The Air Force already has about 50 women in training. The Naval Service and the Army have just begun to recruit.

#### Quartering Problem

"As yet we have only opened one-third of the lines of training in the Naval Service to women. Gradually, all lines will be opened. It will also be possible for a woman to become an officer in a combat specialty, for example on submarines," the head of Navy recruiting, Bertil Ekman, says.

But the usual old concerns are there--in this male world:

"So far we have not solved the problems of how to quarter the girls on our ships. But we will certainly have time to solve that question in time," Bertil Ekman says.

For it is not until the summer that the first girls start training. And they do not go to sea until a year later.

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## NEW CUTS IN ARMED FORCES TRAINING, ACQUISITION AND REPAIR

Stockholm SVENSKA DAGBLADET in Swedish 23 Nov 82 p 1

[Article by Erik Liden: "New Tough Belt-Tightening in Defense"]

[Text] Of the 100,000 men who were to be called up for refresher courses as planned, 40,000 will not be called as of 1 August of next year. The number of jobs in the defense industry will decrease by 7-8,000 employees up to 1987.

These are some of the direct results of the government's economy directives to the Ministry of Defense, where Defense Minister Borje Andersson (Social Democrat) is now locked in a desperate struggle with Finance Minister Kjell-Olof Feldt (Social Democrat) in order to avoid the deep cuts in the conscription system.

It has come out in the budget debate that in view of the devaluation, this year's extra orders in the defense industry, new conscript benefits and a direct reduction in the economic framework of the defense, about 1 billion kronor will disappear from the second of the five budgets in the defense decision. The budget comprises not quite 20 billion kronor.

"There is no longer anything worth calling the 1982 defense decision," a high-ranking person in the military said to SVENSKA DAGBLADET Monday evening.

"Trying to find similarities with the defense decision taken by Parliament as late as 4 June this year is trying to dupe the Swedish people. What we are being forced to do is to completely reorganize the direction of the defense."

According to what SVENSKA DAGBLADET has learned, this implies drastic measures in order to save money as early as 1 July next year. In the long run all planning will be altered to fit the considerably narrowed economic framework which will be in force up to 1987.

Among other things, it will be necessary to go back to refresher courses every 6 years instead of every 4, as today.

All improvements in the wartime military organization are being postponed for now. Several large orders of materiel, conversion of tanks, rebuilding and

expansion of the Air Force's fire control centers and the overhaul of the fleet must wait until after 1987.

On Wednesday the talks will be conducted between the affected ministries and Prime Minister Olof Palme, since no concessions have been granted as yet.

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## ARMED FORCES LIKELY TO BUY UK HELICOPTER USED IN FALKLANDS

Stockholm SVENSKA DAGBLADET in Swedish 18 Nov 82 p 11

[Article by Erik Liden]

[Text] The new armed forces helicopter, which will probably replace several of the present models in all three service branches, was shown for the first time in Sweden on Wednesday.

This is Westlands' latest helicopter, which was used in the Falklands war and which is also used to transport workers to oil rigs in the North Sea. It can carry up to 17 passengers and holds modern antisubmarine equipment. With reinforced lifting capacity (to be introduced in 1984) it can also carry torpedoes and depth charges. It is considerably smaller and consequently also cheaper than the Vertol helicopters used by the Naval Service today for hunting submarines and in use by the Air Force for rescue service.

The price without extra equipment is today 1.4 million pounds, which after the devaluation equals 17.5 million Swedish kronor. The only cheaper helicopter on the market today is the Hughes, which cannot be used in antisubmarine warfare and which carries only 6-8 passengers.

The armed forces already studied the Westland helicopter offer. The supreme commander of the armed forces, Lennart Ljung, flew the model now being considered during his visit to the aircraft exhibition at Farnborough in England at the beginning of September.

The first helicopter orders to be made this winter will be for antitank helicopters. The 20 which have been included in the planning cost 304 million kronor before the devaluation, but if their number is to be maintained they cost 360 million kronor today. In all, the armed forces will buy helicopters for 1.2 billion kronor before 1990. The increase in cost applies to all imported war materiel and that is Defense Minister Borje Andersson's (Social Democrat) biggest headache right now. How much compensation will the armed forces receive for the devaluation? The decision will be made before 1 December.

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## ARIANE, SHUTTLE COMPETITION REVIEWED

Paris LE NOUVEL ECONOMISTE in French 22 Nov 82 p 36

[Article by Philippe Gazier: "Ariane, Sick of the Shuttle"]

[Text] A tough challenge for Ariane? Nineteen months after its first voyage in space, on its fifth mission, the American space shuttle Columbia began its commercial career by putting into orbit two large commercial telecommunications satellites: the American SBS (Satellite Business System, of which IBM is one of the major stockholders) and the Canadian Anik 3. The two satellites were dropped without difficulty from the rocket's compartment and relatively easily reached their geostationary orbits, assisted by a perigee engine lighted from a distance.

A financial challenge because, in this situation, the two satellites benefited from exceptionally favorable conditions. NASA billed them only \$17 million, compared to the Kennedy Space Center's estimate of some \$250 million for the total cost price of the fifth flight. If these satellites had been put into orbit with a "standard" American Delta rocket, it would have cost them \$24 billion each.

But the main challenge is commercial, since putting satellites in geostationary orbit is precisely the specialty of Ariane, whose sixth launching has had to be postponed to the latter part of April, 1983.

Should Europeans give up when they have already invested over 6 billion current francs in the Ariane project since 1973, of which 67 percent (about 4.1 billion) came from the French? And when Arianespace's order book is fairly full (more than 25 definite satellites to launch, as well as a dozen reservations).

At Arianespace's headquarters in Evry, the technicians, stimulated by the competition of NASA, want to think that the last failure of the European launcher will enable Ariane to be improved a little more.

"There has been no change in our orders," Roland Deschamps, general secretary of Arianespace assured LE NOUVEL ECONOMISTE. Its president, Frederic d'Allest, who is also chief executive officer of CNES (National Center for Space Studies), was in New York quite recently to reassure Ariane's clients

in the United States. An indirect advantage is that between the American military and all types of civilians, the space shuttle's schedule of missions is full until 1986. The Mexicans got a spot only because the Columbians **Withdrew.**

The shuttle was actually designed, as an overall cost of some \$16 billion, to put men, as well as very large automatic platforms, into space. And only incidentally to put into orbit application satellites that the rockets are able to carry in their noses. However, Ariane must still prove its complete reliability.

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